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GERMAN MILITARY GOVERNMENT OVER EUROPE:
ECONOMIC CONTROLS IN OCCUPIED EUROPE

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Description

This study treats of the direct and indirect methods used by the Germans in controlling, managing, and exploiting the economies of the countries occupied by them before and during the war. In examining the German economic techniques, an effort is made to determine the political objectives behind the various types of economic exploitation.

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This study is Part Two, VI, of the series

GERMAN MILITARY GOVERNMENT OVER EUROPE

the outline of which is as follows:

Part One. Principles and Methods of German Military Government over Europe

Part Two. German Controls in Occupied Europe

I. The German Army in Occupied Europe
II. The SS and Police in Occupied Europe
III. Military and Police Tribunals in Occupied Europe
IV. The Nazi Party in Occupied Europe
V. Technical and Economic Troops in Occupied Europe
*VI. Economic and Financial Controls in Occupied Europe
VII. Labor Controls in Occupied Europe
VIII. Propaganda in Occupied Europe

Part Three. The German Occupation of Individual Regions

Section One. Areas of Military Administration

I. Belgium
II. France
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I. The Protectorate of Bohemia-Moravia
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VI. ECONOMIC CONTROLS IN OCCUPIED EUROPE

A. INTRODUCTION

1. General Statement

The Germans employed direct or indirect methods to control, direct, and exploit the economies of the countries occupied by them before and during the war according to the ultimate political objective of German occupation -- namely, whether the territory was expected to become a part or an appendix of the Greater German Reich, or whether it was to be re-established after the war as a (perhaps only nominally) independent state. The technique employed by the Germans to exploit occupied Soviet Russian territories was typical of the pattern of direct control, while German organization of Western Europe typified the more indirect method.

2. The Economic Objectives of Germany in Occupied Countries

The objectives of German economic policy in occupied countries can be summarized as follows:

First, exploitation of natural resources, production facilities, and labor tc boost the German war effort and to increase the standard of living of the German people.

Second, establishment of the German Reich and its business in a position of dominance in the economic organization and structure of the occupied country, for purposes of both temporary exploitation and the securing for Germany of permanent economic influence.

To achieve these basic objectives the German authorities:

a)reorganized economic controls in the occupied countries and transferred key positions into German hands, or into hands of quislings;

b) assisted or prepared the penetration of German industry and finance into the ownership and control of the more important enterprises;

c) liquidated economic positions and participations held by citizens of Allied countries;

d) tried to weaken permanently native industry and finance, to destroy its economic independence, and to integrate it into a European economy dominated by Germany.

The objectives and methods of control set by the Germans were of course not the same in all occupied countries. There were differences from nation to nation in the ultimate objective as well as particular technique applied. These differences were based not only on the political objectives of the German occupation, but also on the economic and social situation of the occupied country and the power of its resistance forces. Summed up by types of territories, the German economic objectives were:

a) Fully to integrate incorporated Austrian, Czech, Polish, French, and Belgian territory into the German economy, and liquidate positions held by non-reliable elements of the population.

b) Similarly to integrate the non-incorporated Protectorate of Bohemia-Moravia and the General Government of Poland.

c) To transform the Eastern territories into colonies of the Reich.

d) To exploit temporarily occupied territories in western and southeastern Europe in favor of the German war economy while strengthening German positions there as much as was considered compatible with the exploitation policy.

As the fortunes of war shifted, marked changes in German policy occurred in several countries in the course of the occupation. For example, when the German master plan of a short war was upset by the British and Russian resistance, the often indiscriminate taking of booty in the Western countries was supplanted by a policy of industrial

exploitation. Contracts were given out for armament and other goods to be manufactured for the German account by native factories. This policy was to a certain extent again reversed when extensive mobilization of German workers made it imperative to conscript more foreign labor for work in Germany and thus prevent the closing down of German factories.

There is ample evidence to show that the economic exploitation of occupied countries was not directed exclusively to further the German war effort and to raise the standard of living of the German people in general. Members of the Nazi Party and of affiliated organizations, officers and other members of the German armed forces, and officials of German government agencies and of organizations charged with official functions, as well as German businessmen, enriched themselves personally when acting on behalf and in the name of the German Reich in occupied countries, and gave their friends also an opportunity to share in the spoils of conquest.

This procedure was not only tolerated by the German Government but at first constituted part of its program of exploitation. German business organizations and firms, which were given an important role in the control of production and distribution in occupied territories, had the possibility of acquiring goods, shares, and even plants at cheap prices, of converting inflated marks into merchandise and capital participations, and of employing foreign labor under conditions often resembling slavery. German business, moreover, was promised post-war opportunities of expanding into the industry and commerce of western European countries, through the assumption of Allied property, and through the acquisition of industrial enterprises in the conquered eastern territories. German soldiers were promised land settlement in the East.

The extent of this organized looting by German officials is reflected in an order of the Reich Minister for Armaments and War Production, Albert Speer, issued on 12 December 1944 under number E. 1872/45:1/ "Party, Army, and Government departments have in the last years acquired in legal or illegal ways, particularly in occupied territory, stocks of goods in various quantities and have disposed of them against payment or otherwise to persons or groups of persons of their close acquaintance. This procedure could be tolerated, though not approved generally, as long as the most urgent requirements of the population and of the important war agencies could be assured from stocks available to the respective Reich agencies. The present situation, however, calls for stringent measures.... It is intolerable that goods available to the Reich should be disposed of to persons who only obtain them because they are members of a certain organization or agency. All available stocks wherever located and all articles of this kind newly acquired by the respective organizations must be properly distributed."

Speer followed up this charge by requisitioning all stocks of industrial raw materials and semi-finished and finished goods not intended for immediate official use which were in possession of branches and associated organizations of the Army, the Waffen-SS, Police and Labor Service, OT, and all other State and Party organizations.

3. The German Explanation of Economic Occupation Policies.

German officials and writers discussing the economic policies employed by the Reich in occupied territories usually referred only to western European countries, although they did not always make this clear. The East was

1/ OSS CID #125985.

considered an area reserved for German colonization, and the Reich's policies toward it were as a rule not discussed in the same category with those applied to France and such nations.

Rationalization of German economic policies in the West went through three stages. At first, Germany's role as founder and center of the New Order in Europe was described; later, Germany's efforts to provide an increased standard of living and to strengthen the economic potential of the occupied countries were extolled; and eventually, it was simply declared that it was the duty of the other nations to assist the Reich in the fight against Bolshevism.

When Germany's military and political power was in the ascendant, Nazi ideology conceived the "New Order" as the political framework of the European continent. Under German direction the European nations were to form a commonwealth for life and defense (Lebens- und Wehrgemeinschaft). The new order was to enable them to co-operate in the economic field peacefully, harmoniously, and productively. Europe was to be a large space economy (Grossraumwirtschaft), an economic commonwealth (Wirtschaftsgemeinschaft) based on economic freedom, which in Nazi language meant independence from the necessity of importing goods essential to life and defense (relative autarchy). and on community of work (Leistungsgemeinschaft or Gemeinschaftsarbeit). European economic life was to be directed toward the European continental aim as defined by Germany, which, by virtue of its economic organization and its unlimited needs, was to take over economic leadership and responsibility in all politically controlled territories.

Industrialization of European countries was to proceed, but only such industries were to be built up as were justified by the natural resources of a country as well as by the needs of the European market. The various European national economies were to be integrated into the "large space economy" in such a way as to fit its structure and aim. This integration was considered a purely technical problem

conditioned by the needs of Germany and the economic organization of the country concerned. According to German declarations this new form of interstate co-operation was to be of much greater advantage to any individual nation than was the former organization of world trade. 1/

The New Order, it should be noted, was a propaganda slogan used chiefly in Western Europe where the Germans were interested in securing the collaboration of the population or at least of its leading groups. The economic policies applied to the Eastern countries, especially Poland and Russian territories, were, significantly, not described as the New Order but rather as the German Order (Deutsche Ordnung) 2/ designed to serve as an instrument for the efflux of the German people into territories to be colonized by them and their racially equal friends. There the Germans did not expect the indigenous population to collaborate willingly and felt that supervision and direction of a native administration would not be sufficient. They were forced, they said, to build up an economic administration of their own in which the native element was represented in subordinate positions only.

The idea of the New Order as a European commonwealth broke down fairly soon under the double pressure of internal resistance within various of the European component parts and of Allied victories on the perimeter. Emphasis was then shifted to the gains which Germany had won for the occupied countries, whether or not they appreciated it. Germany, it was claimed, had rescued them from the economic vacuum which resulted from the interruption of overseas trade. It had stabilized currencies, prices, and wages; it had prevented unemployment; it had secured the supply of food as far as

1/ A. Pietzsch in Südost Echo, 20 December 1940.
2/ Max du Prel Das Generalgouvernment, Würzburg, 1942.

possible; it had put European labor to productive use; it had strengthened the peasantry and agriculture; and it had introduced a planned economy.1/ Germany, according to these apologists, had placed orders with occupied countries in order to keep their labor employed, had supplied the raw materials necessary for these orders, and had transferred unemployed workers to the Reich in order to give them jobs.

It can be easily proved that these German claims are untenable and that the objective of German policy was primarily to employ all economic resources of the European continent in the interest of the German war effort and well-being. The fact is, that if the Germans had not exploited their resources, the occupied countries would have preserved a much higher standard of living and avoided inflation, shortages of supply, and in some cases direct starvation. German writers -- although not German officials -- repeatedly admitted that German economic controls over occupied countries were exercised so as to secure for the Reich the maximum of assistance; they claimed that the war compelled Germany to mobilize the productive forces of all European countries, friendly or resistant, for the fight against Europe's common enemies. Minister Funk stated, for example, that "when considering the clearing balances it must not be overlooked that this war is waged for Europe", 2/ while Dr. Eicke, a manager of the Reichsbank, said in a lecture: "It is inevitable that Germany, which is carrying the main burden of the war for Europe's existence should occasionally run up debts on the clearing. Any nation which makes unnecessary difficulties (by throttling the stream of goods) will be presented

1/ Minister Funk, quoted by Völkischer Beobachter, 13 January 1945.
2/ Deutsches Nachrichtenbüro, 11 March 1944 (News Digest 1394).

with its account in some other way at the opportune moment...." 1/

In advancing the argument of war necessity as justification of German exploitation of occupied countries, the Germans tried to assume rights which international law actually denies the occupant. Germany succeeded in transferring to the shoulders of controlled nations a large part of the economic burden of the war and enriched the German population, while millions of slave laborers and inhabitants of occupied countries starved. Such action was in plain contradiction to the regulations of the Hague Convention of 1907 respecting the Laws and Customs of War on Land, which forbids the levying of contributions and requisitioning for needs other than those of the army of occupation, stating that this requisitioning shall be in proportion to the resources of the country. The occupant, in short, is enjoined from creating excessive economic misery and from enriching himself and indemnifying himself for the expenses of the war. 2/

In any event, not even war requirements explain fully or adequately the economic measures which German authorities imposed on occupied countries. A definite tendency was evident to weaken some of the controlled nations permanently and to change their economic structure in such a way as to assure German domination for the post-war period or at least to make inevitable a strong and lasting German economic influence.

4. The Legal Basis of German Rule

The rights and duties of a belligerent power occupying enemy territory are fairly well established in international law; most of them have been defined in the Hague

1/ Breslauer Neueste Nachrichten, 16 January 1944 (News Digest #1365).
2/ Ernst H. Feilchenfeld, The International Economic Law of Belligerent Occupation, Washington, 1942 (passim).

Convention. Nazi Germany never denounced the Convention and was therefore bound by its terms. As far as France is concerned, Germany concluded an Armistice Agreement with it in 1940 which explicitly defined Franco-German relations in occupied and non-occupied territory.

While never denouncing the Convention, Germany nevertheless did not consider itself bound by Hague rules in regard to territories occupied without a declaration of war (e.g., Austria, the Sudentenland, and the Protectorate of Bohemia-Moravia), or territories occupied during a legal state of war but subsequently annexed by or appended to the Reich, or organized as a "colony."

In order to make these conquests appear legal, Germany declared Poland and Yugoslavia no longer existent as states (debellatio). It also considered itself entitled to annex the occupied parts of the Soviet Union because the USSR did not adhere to the Hague Convention. In violation of international law, however, Germany did annex and incorporate into the Reich de facto, if not de jure, territories of nations with which it was in a legal state of war (e.g., parts of France and Belgium), as well as territories of its own allies (such as parts of Italy).

Several of the countries occupied by German troops were technically considered by Germany as "allied" or "protected" countries. Although Germany exercised military, police, and economic controls in these countries (e.g., Denmark, Croatia, and Italy), its relations to them were based theoretically upon a treaty of alliance or some other form of agreement by which German troops were allowed to be stationed in and to operate from these countries and according to which the Reich was to receive economic help for the common war effort.

Numerous differences and discrepancies, then, existed in the legal basis of German rule in occupied countries.

The German occupation authorities consequently organized their administration according to a variety of legal forms. They retained, however, in every instance military and police powers and control over economic affairs. The legal status of a territory set the basic organization scheme for the economic controls employed there, but differences in the political pattern of controls from one country to another developed, reflecting not only the will of the conqueror and his ultimate political and economic objectives, but also the degree of resistance offered by the conquered.

Economic policies were everywhere dictated by German authorities, but their execution varied. It was either direct -- that is, in the hands of a predominantly German administrative machinery -- or else indirect -- that is, in the hands of the native administration, supervised and directed by the German occupation authorities.

Direct economic controls were, as a rule, established in territories which were considered to have lost their sovereign status and were to stay after the war under permanent and full German domination, such as the incorporated territories under colonial administration. The group of countries under indirect economic control, on the other hand, comprised those placed under temporary military or civilian administration pending the signing of peace treaties to restore their independent status.

The occupied countries can be grouped as follows, according to the type of their political organization under German domination.

a. Territories incorporated or slated for incorporation into the Reich: Austria, Danzig, Memel, and Luxemburg,

and parts of Czechoslovakia, Poland, France, and Belgium. These were transformed into administrative units of the Reich, or parts of such units.

b. Appended or adjunct countries (Nebenländer); The Protectorate of Bohemia Moravia (part of Czechoslovakia). This was considered by the Germans part of the Greater German Reich but had an inferior status to the Reich provinces and states. The so-called autonomous Czech administration had very restricted functions on the local and regional level. The other appended country, the General Government, was not part of, but was subordinated to, the Reich, like a colony; the Polish national element had no right of self-administration except on the strictly local level.

c. Territories under colonial administration: The occupied Russian territories. These were to be held and dominated permanently by the Germans and serve as space for colonization. The native element was to retain only strictly local administrative functions. The German state declared itself owner of nearly all property, confining private rights to a very small field (chattels, small shops, etc.).

The above three categories include all territories which the Germans intended to keep under their permanent and immediate control after the end of the war.

d. Countries under wartime control. During and immediately after invasion by German armies, every occupied territory was under German military government. This applied as well to the territories of defective German allies, over which German military control was very similar in character and extent to that exercised in defeated enemy countries. The Germans did not, however, expect to retain military government control after the war in the Western European countries. The amount of power held by the native

administration and the degree of collaboration on which the Germans were able to base their controls varied, of course, from one Western country to another and changed in the course of time, yet all Western European countries retained their existence as theoretically independent states with German administration being only superimposed. Notwithstanding the differences in political organization, German economic controls in these countries were much the same.

c. Territories under indirect political control. Because of their control over occupied France the Germans exercised a strong influence over the unoccupied section and over the colonial Empire. This influence, not much short of full political mastery, enabled Germany to extend its economic controls over territories which had never been militarily occupied. In a similar way, Germany was able economically to control also those countries allied with it.

B. THE CO-ORDINATION OF GERMAN CONTROLS

1. Role of Supreme Reich Agencies

The basic policies for economic control of occupied territories were formulated by the same Reich authorities which set up production and distribution plans for the German economy, that is,basically, the Office of the Four Year Plan, the Ministry of Armaments and War Production, the Ministry of Economics, and the Ministry of Food and Agriculture. In the hands of these agencies were vested the supreme controls over the economic life of the dominated nations; they directed the activities of the occupation authorities in economic matters, and, by special authorization of Hitler, they sometimes issued decrees directly relevant to occupied countries. Actual application of economic controls in occupied territory was, however, performed by the occupation authority proper, and the central Reich agencies in control of economic matters headed no hierarchy of control agencies having power in that territory, although they were represented through field agencies and liaison offices all over Europe.1/

Exploitation of the economic resources of territories under military rule was organized by the war economy branch of the German High Command (OKW), called at first Wehrwirtschaft- und Rüstungsamt, then Wehrwirtschaftsstab, and eventually Feldwirtschaftsamt. It co-operated with the civilian authorities. This co-operation took various forms but was always very close. The Ministry of Economics and the Ministry of Armaments and War Production, for example, had officers from this branch on their staffs. In some cases military authorities and civilian agencies were integrated on the regional level as well, as with the appointment of a representative of the Four Year Plan to act as Plenipotentiary for Economy on behalf of the military administration in Serbia.

1/ Deutschland im Kampfe, Propaganda Ministry, Berlin, April 1940.

The heads of civilian administration in occupied territories were directly responsible to Hitler. Three of them had cabinet rank:

The Reich Minister for Occupied Eastern Territories
The Governor of the General Government
The Reichsprotektor in Bohemia and Moravia

Others who were not considered as members of the cabinet but were also directly responsible to Hitler, were:

Reichskommissar for the Occupied Norwegian Territories
Reichskommissar for the Occupied Dutch Territories
Reichskommissar for the Occupied Territories of Belgium and Northern France (after July 1944)
Chief of Civil Administration in Alsace
Chief of Civil Administration in Lorraine
Chief of Civil Administration in Luxembourg
Chief of Civil Administration in Lower Styria
Chief of Civil Administration in the occupied Territories of Carinthia and Carniola
Chief of Civil Administration in Bialystok

Territories under a chief of civil administration, though not legally incorporated into the Reich, were for all practical purposes treated like Reich territory. Where it was intended that Reich legislation should apply to them, it was, however, necessary so to state explicitly in the law.

The economic control agencies of the Reich operated in territories legally or de facto incorporated into the Reich just as they would in any other part of the country. In the Protectorate and the General Government, which were considered as part of or appended to the Greater Reich, and in the Eastern territories which were treated like colonies of the Reich, regional economic controls were closely integrated into the organization of the Reich controls; in some fields, Reich agencies were operated directly.

Decrees of the Reich Ministry of Economics or of other central Reich agencies were applicable only in the Reich proper; if they were to cover the territory of the Protectorate of Bohemia and Moravia (considered as part of the Greater German Reich) specific stipulation had to be made to that effect. This was neccessary also in order to

make a decree applicable in the General Government. As a rule, the authorities in the Protectorate and the General Government issued decrees of analogous content to make regulations applicable in their territories conform to decrees issued in the Reich. Only in exceptional cases were Reich decrees made directly applicable to all occupied territories. An example was the decree of the Delegate for the Four Year Plan-Plenipotentiary for Armaments Tasks on Conversion of Motors, issued on 22 September 1942 in agreement with the supreme command of the armed forces, the Ministry of Economics, the Ministry of Food and Agriculture, and the Ministry of Transportation. This decree was declared valid for the Reich proper, the Protectorate, the General Government, occupied Belgium and France, Serbia, Alsace-Lorraine, Luxembourg, Lower Styria, Southern Carintha and Carniola and the Occupied Eastern Territories. It was, however, specified that executive directives would be issued, in agreement with the Plenipotentiary for Armament Tasks in the Four Year Plan, Central Office for Generators, by the Reichsprotektor, the Reich Ministry for occupied Eastern Territories, the General Governor, the Reichskommissare of the other occupied territories, the military governors, and the chiefs of civilian administration in their respective territories.

Another example of a decree valid in occupied territories was Hitler's measure of 18 January 1942 appointing a General Inspector for Motor Vehicles authorized to investigate matters within his field with military and civilian authorities and with private enterprise in Greater Germany, the General Government, the occupied territories, and the zones of operation.

2. Field Offices of Reich Agencies

The leading role in the co-ordination of economic

policies in the occupied territories was played by the Office of the Four Year Plan, whereas the Ministry of Interior had the task of formulating legislative acts in regard to occupied countries and organizing the integration of annexed territories. Numerous departments, sections, and divisions in various governmental economic agencies and corporative business organizations handled economic problems of occupied territories. In addition, the following special agencies were set up under central Reich authorities to operate exclusively in occupied territories or as Reich agencies with specific extension of their powers over such territories:

Under the Delegate for the Four Year Plan:

General Commissioner for Economy in Serbia (Belgrade)
General Commissioner for Metal Mining in the Southeast (Belgrade)
Commissioner for Oil Tasks in the Southeast (Bucharest)
Delegate for Scrap Metal Collection in all Occupied Territories
Special Delegate for Timber Supply in the occupied Soviet Russian Southeast (Kiev)
Main Trust Office East (Haupttreuhandstelle Ost)
General Commissioner for the General Government (Krakow)
Delegate for Oil Exploitation in the formerly Polish territories
Central Office for Generators

Under the Ministry of Economics and attached to the Reichsbank:
German Clearing Office (Deutsche Verrechnungskasse)
Reichskreditkasse

Under the Ministry for Finance:
Delegate for Questions of the Main Trust Office East (Haupttreuhandstelle Ost)

Under the Transport Ministry:
General Management of the Eastern Railroad (Krakow)

Under the Reichspost Ministry:
Section East

Under the Reich Commissioner for Ocean Shipping:
Delegate for Ocean Shipping for the occupied Norwegian territories
Delegate for Ocean Shipping for the occupied Dutch and Belgian territories
Delegate for Ocean Shipping for occupied France
Delegate of Reich Commissioner for Ocean Shipping for unoccupied French territory
Delegate for Ocean Shipping for the Ostland
Delegate for German Shipping in the Black Sea

The Ministry for Armaments and War Production superseded the Supreme Command of the Armed Forces as the Reich agency to which the Armament Inspectors in occupied countries were subordinated. Armament Inspectorate and the subordinated Armament Commands and field offices were set up only in countries with important industrial facilities. An Armament Inspectorate was divided into three sections -- one each for the army, the navy and the air forces. The functions of inspectorates and commands consisted in the exploitation of industrial capabilities of occupied countries; They supervised the storage of war material, controlled native firms manufacturing for German account, and supported them in their requests for labor, raw materials, and transportation. They represented the interests of the Armament Ministry as procurement agency in relation to the occupation authority. In case of German retreat they organized the evacuation of machinery and materials. The following inspectorates were established in occupied but not incorporated territories:

Czechoslovakia: Armament Inspectorate Prague; Armament Commands Prague, Brno;

Poland: Armament Inspectorate Government General; Armament Commands Cracow, Warsaw, Lwow;

Poland, Baltic States, Russia: Armament Inspectorate Ostland; Armament Commands Riga, Kovno, Minsk, Reval; Armament Inspectorate Ukraine; Armament Commands Shepetovka, Kiev, Dniepropetrovsk;

Denmark: War Economy Staff Denmark (Copenhagen)

Norway: War Economy Staff Norway; Economic Officers in Bergen, Trondheim, Tromsoe, Oslo, Kristiansund, Stavanger, Lillehammer, Kirkenes, Narvik.

Netherlands: Armament Inspectorate the Netherlands; field offices Rotterdam, Amsterdam;

Belgium: Armament Inspectorate Belgium; Armament Commands Brussels, Charleroi, Liége, Lille.

France: War Economy and Armament Staff France: in 1943 renamed Armament and Procurement Staff. Armament Inspectorate A (Paris and Northwestern

France) at Paris:
Armament Commands Paris I, Paris II, Rouen, Orleans;
Armament Inspectorate B(Southwest France) at Amiens; Armament Commands Bordeaux, Le Mans, Niort, Vannes;
Armament Inspectorate C (Southeast France) at Dijon; Armament Commands Besançon, Nancy, Nevers;

Since 1943 there were Armament Commands also in Vichy-France, formed by reorganization of the Armistice Control Commissions.

Balkan Countries: War Economy Staff Southeast at Semlin near Belgrade;

Italy: General Commissioner of the Reich Ministry for Armament and War Production in Italy, heading the Armament Inspectorate in Milan.

In addition, there were War Economy Officers stationed at Salonika, Agram, Sofia, and in Rumania, Slovakia, Italy, Transnistria, Finland, etc.

To co-ordinate German purchasing in Western countries, Order Distribution Offices (Zentralauftragstellen) were established in The Netherlands, Belgium, and France as joint agencies subject to the orders of the economic section of the military commander's (or Reichskommissar's) office and of the regional armament inspection (or in France, the War Economy and Armament Staff). They constituted thus on the regional level a link between the occupation authority and the Ministry for Armament and War Production. In Norway and Serbia their functions were taken over by the German authority exercising supreme economic controls, in Denmark by the War Economy Staff.

The various Reich agencies and organizations of German business which exercised control over specific industrial branches (the Reichsstellen, Wirtschaftsgruppen, Reichsvereinigungen, etc.) did not extend their direct activities beyond the Reich frontiers. There were a few exceptions, such as the "Reichsvereinigung Eisen," the super-cartel of the steel industry which operated in Bohemia-Moravia, Poland,

Luxembourg, and the Department of Moselle in France, or the "Gemeinschaft Glas" and "Gemeinschaft Schuhe" which incorporated Czech firms. The corporative organizations of German business assisted the Reich authorities in advisory functions. Some set up special committees to foster the penetration of German firms into occupied territories, especially into the East (the Ostausschüsse of various Reichsgruppen and Wirtschaftsgruppen).

The above organizations were, however, represented through liaison officers, through other agencies (especially the German Chambers of Commerce Abroad), or through field offices of their own in the occupied countries. Field offices were used particularly by the Main Committees, the semi-official agencies of the Speer Ministry.

In the control over distribution of war-important materials in occupied territories there was close co-operation between the respective Reich agencies and the occupation authorities. In regard to metals, for example, exports to and imports from occupied territories were directed by the Reich Board for Metals (later Reich Board for Iron and Metals) on behalf of which the occupation authorities issued licenses as follows: 1/

Country:	Agency:
Protectorate	Supervisory Office in Ministry for Economy and Labor
General Government	Control Office for Iron and Steel
Belgium	Military Commander and Chief of Military Administration
France	Military Commander
Netherlands	Reich Commissioner
Norway	Reich Commissioner
Serbia	Plenipotentiary for Economy in Serbia

1/ Metallwirtschaft, 21 August 1942.

Country: Agency:

Denmark War Economy Staff

The Reich Commissioner for Iron and Steel, however, had also set up a number of field offices in occupied countries -- e.g., in Brussels, Lille, Liége, Charleroi, etc.

The head of the German controls over the French rubber industry operated under orders of the Military Governor as well as those of the Reich Commissioner for Rubber. 1/

Finally, there were the German Chambers of Commerce Abroad which were reopened in the occupied countries to act as information centers for German business firms interested in expanding their activities. They co-operated closely and intimately with the occupation authorities and other German agencies in occupied territories, and were often charged by them with important tasks (e.g., Aryanization of Jewish firms, transfer of German orders, and selection of trustee administrators for business firms under state control). 2/ Leading German firms were represented in the boards of the Chambers. The list of these Chambers contained the following:

German Chamber of Commerce in Belgium (Brussels)

German Chamber of Commerce in Croatia

German Chamber of Commerce in Denmark (Copenhagen)

German Chamber of Commerce in the General Government (Cracow)

German Chamber of Commerce in Greece (Athens)

German Chamber of Commerce in Norway (Oslo)

and the

Liaison Office France of the Organization of German Economy (Paris)

1/ OSS source T, 2 February 1945.
2/ Deutsche Bergwerkszeitung, 4 June 1943.

3. Military Administration Authorities

a. Central Authorities

Military administration of occupied territories was directed by the Supreme Command of Armed Forces (OKW) through two departments:

(1) The Military Administration Department (Amtsgruppe Wehrmachtverwaltung)

Specifically, its sections for administration of occupied territories; transportation; supply and food; currency; and accounting and auditing.

(2) The Office for War Economy in the Field (Feldwirtschaftsamt)

Divided into five sections: manufacturing and trade; agriculture; forestry and timber; labor; training of foreign labor.

The Feldwirtschaftsamt directed the economic exploitation of territories under military administration. Its name, until May 1944, was Wehrwirtschaftsstab (War Economy Staff), and until 1942 it was called Wehrwirtschafts- und Rüstungsamt (War Economy and Armament Office). At that time it was in charge of armament production and headed the numerous Armament Inspectorates and Commands all over Germany and occupied Europe, which functions were later taken over by the Reich Ministry of Armament and War Production. After 1942 it operated through the Wehrwirtschaftsstab West, directing military authorities in Western Europe, and the Wehrwirtschaftsstab East, directing the Wirtschaftsinspektionen and Wirtschaftskommandos (Economic Inspectorates and Commands) which acted as economic authorities in eastern occupied territories. The latter organization form was developed for the so-called army rear zone (rückwartiges Heeresgebiet) set up in the East; for details see section C.4.b.

In the other occupied territories under military administration economic controls were not separated from administrative controls but formed part of the civil affairs chain of command. Various military organizations, however, operated there more or less independently from the Military Commander, and their activities in economic matters had to be co-ordinated, which often proved a difficult problem. Among these organizations were especially the purchasing agents of the Generalluftzeugmeister, of the Heereswaffenamt, and of the German Navy.

b. Agencies in Zone of Operations

Control over occupied territory was in the hands of the commander of the operational unit as long as the territory was considered as inside the zone of operations. A special staff (Heeresverwaltung) took charge of administrative tasks, which of course were directed according to solely military considerations. The economic activities consisted chiefly in the organization of the army transportation and the securing of local supplies, as well as the salvaging of raw materials, machines, and other equipment. Industrial installations and public utilities necessary to carry on military activities were put into operation. In case of retreat, materials and stocks were evacuated or destroyed. To accomplish these economic tasks the German army set up special units, the army collection squads (Wehrmachterfassungskommando) and the technical battalions (Technisches Battalion), under specialists called army economic leaders (Armeewirtschaftsführer). The collection squads were grouped into agricultural units and agricultural-technical units, both of which operated in the country, whereas in factories and towns the technical battalions were put into operation. The Armament Commands (Rüstungskommandos), until 1942 under control of the OKW, also took a census of industrial capacities,

secured stocks of raw materials, transferred machinery to Germany, etc. 1/

c. Civil Affairs Chain of Command

The division of occupied territories into areas under supreme regional command comparable to the American "theaters of operations" was dictated by military considerations. Such areas therefore often extended across the boundaries of occupied countries or covered only part of a country. In the West, e.g., Belgium and Northern France formed one area; in the Southeast, Serbia formed at one time an area of its own, was later included into the Southeast command, but still formed a separate unit for purposes of administration. The supreme military commander of such an area acted as its military governor (Militärbefehlshaber). His staff contained expert delegates of the Reich Ministries for Transportation, Finance, Railroads, Post, etc. 2/ Matters of military government (Militarverwaltung) were handled by his administrative staff (Verwaltungsstab), distinct from the military staff (Kommandostab). The administrative staff was headed by the chief of the military administration (Militärvewaltungschef). The administrative section of the staff handled some economic matters (in Belgium, e. g., transportation, finance, road building, and waterways), but most of the economic controls were centered in the economic section (Wirtschaftsabteilung). In some areas, such as Serbia, a high army or SS officer was appointed as General Commissioner for Economy (Generalbevollmächtigter für Wirtschaft). In France, a civilian headed the economic section. This was divided into groups (Gruppe), the number of which varied according to the local needs. Usually to

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1/ According to reports of French delegation to German Armistice Commission.
2/ Deutschland im Kampf, Propaganda Ministry, Berlin, April 1940.

simplify administration work, the section was organized along the lines of native control agencies. The area administrated by a military governor was either divided into several military government districts (Militarverwaltungsbezirk) or directly into territories under a superior field command (Oberfeldkommandantur). The latter were subdivided into areas controlled by field commands (Feldkommandantur), district commands (Kreiskommandantur), and local commands (Ortskommandantur). Division of the territory into such areas usually followed the boundaries of local government bodies. The commands of the military districts and the superior field commands, as well as some of the field commands, disposed of staff which handled administrative matters on behalf of the central administrative staff and implemented the decrees of the military governor with detailed regulations. Insofar as the native local authorities had to fulfill economic control functions, such activities devolved also upon the lower military commands which were under orders of the military staff of the governor. Some of the groups of the economic section in the administrative staff of the military governor established field offices of their own.

d. Transportation Authorities

Railroad operating troops attached to the German field armies took charge of railroads in the zone of operations, whereas in the army rear zones railroads operated by the military were under Field Railway Commands (Feldeisenbahndirektion).

A Military Transport Management (Wehrmachtsverkehrsdirektion) was set up for each territory under military administration. It had sections for railroads, inland shipping, etc. As a rule it confined its activities to the supervision of the native

railroad corporations and other transport organizations, which had to operate in accordance with German directives, but it also published regulations governing use of transportation facilities.1/ German traffic managers were appointed from the ranks of the army or the Reichsbahn to control the the native officials, whose hierarchy was to some extent duplicated. A similar method of control was applied to the regulation of motor transportation. In the territories incorporated into the Reich and in the Eastern territories under civil authority, railroads were taken over by the Reichsbahn. In the appended territories railroads were operated by local corporations, but transportation controls were fully integrated into the Reich organization. In the other countries under civil administration, control of transportation was placed in the hands of the occupation authority.

Military use of railroads and inland waterways not operated directly by the military was organized uniformly for Germany and occupied territories. The Chief of Transportation in the OKH was the highest authority for all military transport units. He received orders from the Chief of Transportation in the OKW and had to co-operate with the Air and Naval Forces, who were in addition represented through liaison officers in the larger transportation units. The military transport agencies (Transportdienststellen) were responsible for all matters concerning the use of railways and inland waterways by the Armed Forces and acted as intermediary between the military, the transportation ministry, and the railway authorities. There was no complete separation of military transport agencies within Greater Germany from those in occupied countries. The jurisdiction

1/ Verordnungsblatt of Military Governor in Belgium and Northern France, issue No.22 (Decree of 23 November 1940).

of some of them, through subordinate units, covered both German and occupied territory.

The following types of agencies can be distinguished:

a) Military transport agencies of divisional status (Wehrmachttransportleitung or Eisenbahndirektion) which had jurisdiction within a certain area. A typical agency consisted of the following sections: troop transport; economic and supply transport; individual soldiers' travels; inland waterways; maintenance and construction; signals; motor transport. Attached were liaison officers of the Air Force, the Navy, and the Organization Todt, and a civilian representative of the Reichsbahn. In Paris, there was also a section called the Armistice Branch.

b) Transport Commands of regimental status (Transportkommandantur), which were subordinated to the divisional authority and operated in a sub-area. They were the basic units with which the German military units had to deal in all transportation matters, for requisitioning of trains and cars, movement of troops, etc. They forwarded requests to the appropriate local regional railway authorities. Their basic units were similar to those of the divisional authorities. They supervised the native transportation organization and regulated its use by the population, issued permits for motor transportation of goods on long distance, etc.1/

c) Station Commands (Bahnhofskommandantur) and Port Officers (Hafenoffizier), who issued military orders at their respective stations.

d) Railway Transport Escort Detachments, Train Guard Battalions, and similar units

Freight movement between the Reich and northern and western countries was controlled through individual licenses, and a similar system was in operation covering all freight movement in the Southeast. The Frachtenleitstelle "Südost" in Berlin, with branch offices in seven Balkan cities, issued permits and stipulated route and time for each transport.2/ Transport in ocean vessels was under control of the Reich Commissioner for Ocean Shipping, Gauleiter Kaufmann, whose regional delegates the military authorities had to approach when requesting transport facilities.

1/ Verordnungsblatt of Military Governor in France, issue 105. (Decree of 19 July 1944).
2/ Revaler Zeitung, 20 October 1943.

e. The German Armistice Commission

An Armistice Commission was set up in Wiesbaden to regulate and control the execution of the Franco-German Armistice Convention of 1940. It consisted of a German Commission which acted chiefly as an instrument through which the Germans made demands on France, and a French Delegation acting in an advisory capacity and as a liaison office. The German Commission acted under orders of the German High Command; it was headed by a general and staffed by military and civilian personnel. Attached was a representative of the German Foreign Office, a joint representative of the Delegate for the Four Year Plan and of the Minister for Economics, and a representative of the Minister of Transportation. The Commission consisted of an Armed Forces Group and an Armament and Economic Group; the latter set up an Economic Delegation staffed by financial, trade, and industrial transport exports.

The German and the French delegations convened in sub-commissions which were divided into a military and political group and an economic group, and staffed accordingly. Sub-commissions dealing with finance, commercial exchanges, industry, petroleum, and merchant marine formed the economic group, while questions of armaments, inland transport, and intercommunications were handled by sub-commissions staffed by military or economic personnel depending on which group had a primary interest in the matter under discussion.

The German Commission established three inspectorates in French territory (North, South, and Africa) as well as a number of field offices, controlling ocean navigation, airports, armament plants, and war material dumps, etc. A liaison officer was attached to the German Commander in France, and direct contact was also established with the

Chief of the French State.

After occupation of the Vichy zone the functions of the German delegations were taken over by the military commander in Southern France. The Armament Control Inspectorates were reorganized, renamed Armament Commands, and placed under the Rüstungs- und Beschaftungsstab (Armament and Procurement Staff) France.

f. Administrative Personnel

In the administration of occupied territories the German Army employed army officers and soldiers, army civil servants (Wehrmachtsbeamte), and civilians without such special status (Sonderführer). The work of a military government official (Kriegsverwaltungsbeamte), especially one of the higher officials, or war administrators (Kriegsverwaltungsrat), was considered highly important. Army civil servants were given the right to wear uniforms and, in 1944, their status was made similar to that of army officers. As a rule, the Germans appointed as war administrators specialists in administrative and business fields who had gained previous experience in Reich ministries, in economic chambers and organizations, and in private business, manufacturing, trading, and transportation enterprises. The Devisenschutzkommandos, for example, were staffed by customs officials. Economic controls were mostly in the hands of these experts. In case of a change in the legal status of a territory (such as the transfer of administrative powers from the military to the civil administration), these experts stayed and continued working under the new authority.

4. Reichskreditkassen

An important instrument in the financial exploitation of occupied territories were the Reichskreditkassen

(Reich Credit Institutions or RKK), which were established by a decree of 23 September 1939, subsequently amended on several occasions, to act as banks of the German Army in occupied territories.1/ The Central Office (Hauptverwaltung der RKK) was an independent public institution managed by officials of the Reichsbank and supervised by a board of directors composed of representatives of the Minister of Finance, the Minister of Economics, the Armed Forces, and the German banking business. Local RKK were set up in almost every occupied country to act as agencies of the Central Office. Their functions were specifically:

a) Issuance of RKK bills and coins, in denominations of 50,20,5, and 1 Reichsmark and 50, 10, and 5 pfennigs;

b) Collection of occupation costs from the native governments;

c) Borrowing of funds from local banks of issue;

d) Acting as fiscal and transfer agent of the German armies;

e) Regulation of money and credit transactions in occupied territories;

f) Conducting of regular banking business, such as purchase and sale of bills, making of loans, receiving of deposits, etc.

The general policies of the RKK were directed from Berlin, and their professional staff was supplied in large part by the Reichsbank, but within his particular area.the military commander or civilian governor of an occupied territory exercised control over the RKK. The principal function of the RKK was to supply the advancing German troops with RKK currency to pay for supplies requisitioned from private owners and for local purchases of individual soldiers. RKK money was declared legal tender by a decree of the military commander which stipulated a fixed rate of exchange between local currency and occupation money.

1/ Die Bank, Berlin, 30 September 1942.

As soon, however, as the German authorities were able to dispose of an adequate supply of local currency, received as a contribution or an advance through an agreement with the native authorities, they halted the issue of RKK currency and closed the existing RKK. A few agencies remained open to act as liaison offices between the German forces and the local banking system. In this capacity they acted as the recipient for occupation costs paid by the native government, or contracted loans to finance German military expenditure in the country; they transferred funds to and on behalf of army pay offices as well as of individual soldiers; and they also "purchased" at official rates foreign currency and gold which the Devisenschutzkommandos discovered when opening safe boxes of enemy aliens. In Denmark and Norway RKK currency was issued only by the army pay offices, and the establishment of RKK was unnecessary, since the banks of issue began to advance money to the Germans within a short time after occupation of the country. In most other countries of Western Europe similar agreements were later made while in Belgium, Poland, Serbia, Croatia, and Ukraine the Germans founded new central banks to supply them with local money.

RKK offices established in territories later incorporated into the Reich were transformed into branches of the Reichsbank, and RKK notes in circulation exchanged for Reichsmarks. In only a few countries did the RKK continue to operate, and, at the time of the Nazi collapse, RKK currency was circulating, partly as sole legal tender, in the Channel Islands, in Montenegro, and in occupied Russia (though in the Ukraine a separate bank of issue with a currency of its own was established). In the Balkan countries allied with Germany the RKK operated only as a

clearing and exchange office of the Germany Army, acting as its liaison in financial transactions with the local authorities. No RKK currency was issued there. In Italy RKK notes were put into circulation shortly after the Badoglio government signed its armistice with the Allies; but a few months later the notes were withdrawn and German military expenses covered out of Italian payments for occupation costs.

The RKK was probably the agency which issued "Transfer checks of the German Armed Forces" (Verrechnungsschein für die Deutsche Wehrmacht). This instrument, properly called "military traveller's check", replaced in 1945 the RKK notes in all transactions involving transfer of money on behalf of German soldiers changing station from one occupied country to another.

The principal asset of the RKK was a loan to the Reich amounting to approximately 9 billion Reichsmarks in mid-1944. This was the countervalue of nearly 3 billion Reichsmark RKK notes issued and 6 billion Reichsmarks of local currency borrowed by the RKK on behalf of the German Army. Other assets consisted of foreign funds received as occupation costs but not yet actually spent by the Germans, and of smaller amounts of commercial advances and of Reichsbank and other balances. Its liabilities consisted of the currency issued (RKK notes and coins and "canteen money"), of deposits in RKK marks received on a commercial basis, debts to foreign banks of issue, and debts to the Reich for unspent occupation payments.

C. DIRECT ECONOMIC CONTROL

1. Introduction

The Germans considered the Czechoslovak, Polish, and Soviet territories occupied by them as conquered for permanent possession. Consequently, these territories were either incorporated into the Greater German Reich or were administered as adjunct territories (Nebenländer) and colonies. The system of direct control was established in the economic field, but the Protectorate, the General Government, and the Occupied Eastern Territories each represented a distinct type of German economic penetration. The character of the economic controls established by the Germans in the occupied Balkan countries merits the consideration of operations there as a type of direct controls, although the Germans were not planning to take permanent possession of the region.

In the Protectorate, the native, autonomous administration retained some vestiges of self-government in economic matters. The Czech agencies, of course, operated under the strict supervision of German officials and the scope of their functions was very much restricted; in fact, they formed an organic part of the administration of the Greater German Reich fulfilling functions which in Germany were assigned to a regional administration. Under the Nazi aegis, penetration of German public and private enterprises into Czech business reached overwhelming proportions in the fields of banking, transportation, and the heavy industries. Little penetration was effected in agriculture, commerce, and most industrial branches outside of heavy industry. The industrial productive capacity of the Protectorate was, however, not reduced under German domination; indeed, it might even have been enhanced by the expansion of war industries, especially as a result of the transfer to the Protectorate of bombed-out plants from the Reich.

The Polish and Russian territories had in German eyes the character of a frontier region, available and exclusively destined for colonization by Germans and their "racial" brethren. The indigenous Slavic population was relegated to an inferior position. Under these circumstances these areas had a German administration, although in the General Government a considerable number of Polish civil servants was employed. Only a very

few of these Poles, however, had responsible posts. In the Occupied Eastern Territories, Russians were employed by the administration only in the low categories of jobs. Native self-administration in these regions was organized on the local level only. The economic life of both Polish and Russian territories was fully and directly controlled by German agencies. The functions of trade associations, wherever they had been reestablished in accordance with the German corporative pattern, were of small importance; in most cases they were dominated by their German members, if non-Germans were admitted to participate.

Public property in both regions was taken over by the Reich, but there was a marked difference in regard to the treatment of private property between the General Government and the occupied Soviet areas. In the Polish territories, the Reich and German firms and individuals acquired by way of confiscation or received in trusteeship those estates and industrial enterprises owned by persons who were either absent or were not recognized as owners by the German administration (especially Jews, "enemies of the Reich"). Private property was also confiscated if it was declared to be necessary in the public interest. In the occupied Soviet territories, however, the Reich established itself as the successor of the Soviet state and as the owner of all industrial and landed property. Commercial and industrial enterprises (except small shops in the Baltic countries) were operated for the account of the Reich by German trustees; agricultural lands were cultivated as state or collective farms by German administrators, or in some regions partly by native tenants. German business firms were promised that after the war they would acquire ownership of enterprises now operated by them; German settlers were promised that the land would be divided among them. Thus in Polish areas, only certain types of property were confiscated in the interest of German or private owners, while in the Soviet lands the Reich itself became the owner of property, employing German firms to manage enterprises where it was required.

There was also a difference in regard to policies adopted for these two regions in matters of industrial production. It was intended that

both countries would manufacture only such goods as would not compete with the products of Reich industries. In the General Government, however, consumer goods industries, on the whole, continued to operate. Industries in occupied Russia, on the other hand, were directed toward production of raw and semimanufactured materials for use in the Reich and, as a rule, were not employed in turning out goods for local consumption.

In the following pages, German economic controls in the Protectorate and the General Government are briefly described and some attention is given to German administration of the occupied Balkan countries where the German authorities assumed direct control of economic matters, although these countries were not considered part of the Greater German Reich or of its colonial empire. Most attention is paid to the structure of economic controls in the occupied Soviet lands, because it was in these territories that the Germans fully developed their pattern of colonial administration, without regard to principles or forms of international law.

2. The Protectorate of Bohemia-Moravia

a. The Basic Laws

Hitler's Decree of 16 March 1939 establishing the Protectorate 1/ declared it part of the Greater German Reich and placed at its head a Reich Protector (Reichsprotektor); in the economic field, the Protectorate was to exercise its autonomous rights through its own organs, which were to operate, however, in full accord with the needs of the Reich. The Reich Protector, as delegate of the Reich Government, could veto all autonomous measures which appeared harmful to the Reich, and in urgent cases could issue orders required by the common interest. The Reich was further empowered by the Decree to issue laws valid for the Protectorate insofar as the common interest required. The Reich was to have direct supervision over transportation and communications. It was to handle foreign relations of the Protectorate in the economic field; the Protectorate, moreover, was in the customs union with the

1/ Reichsgesetzblatt I, 485. (Cited hereafter as RGBL.)

Reich and was under the Reich's customs authority. German currency was to be legal tender in the Protectorate, at a rate fixed by the Reich Government.

A later Hitler decree, that on Concentration of the War Economy of 2 September 1943, 2/ stipulated that the Reich Ministry for Armament and War Production had jurisdiction over raw materials and industrial production in the Protectorate.

The Protectorate was also affected by Dr. Joseph Goebbels' authority as Delegate for the Total War Effort. Goebbels, however, did not issue decrees directly applicable to the Protectorate, but the German Minister of State for Bohemia-Moravia prepared instructions in accordance with the directives received from Goebbels. This form of action was considered necessary in view of the autonomous position of the Protectorate. 2/

b. The Methods of Control

To carry out these basic laws, economic controls were organized in the following ways:

(1) A number of Reich economic agencies and organizations operated directly in the Protectorate.

(2) The Reich Protector, the German Minister of State and his subordinated agencies exercised direct authority in the more important economic matters.

(3) German officials supervised and directed the autonomous administration in those economic fields in which it had jurisdiction. In addition, control over the Czech administration generally was exercised through the appointment of German officials to key positions in the autonomous agencies. These officials held corresponding posts in both the Czech administration and the German Ministry of State which resulted in a complete integration of Protectorate controls with Reich controls. The autonomous powers of the Czech administration were therefore only nominal.

1/ RGBL. I, 529.
2/ Deutsche Volkswirtschaft, 1 November 1944.

c. German Agencies Operating in the Protectorate

Chief among the Reich agencies operating directly in the Protectorate was the Reich Ministry for Armament and War Production, headed by Albert Speer. This Ministry assumed direct control over armament production in the region, functioning through the Armament Inspector for the Protectorate, the Armament Commands in Prague and Brno (Brünn), and the regional delegates of the Main Committees and Rings.

The central body of its controls in the Protectorate war industry was the Armament Commission. The head of this Commission was the Armament Inspector; other members were the (German) Minister for Economics and Labor, the Chief of the Office for Public Contracts, and the Armament Chief (head of the regional delegates of Speer's Committees and Rings), who at the same time was president of the Central Association of Industry in the Protectorate. Speer's direct representative in the Protectorate, moreover, was also a member of the Armament Commission.

By reorganization of the controls over industrial production in 1944, Speer's Ministry, acting now through the medium of the production committees, also received powers over industries manufacturing goods for civilian consumption. Eventually, the production committees were merged with the economic groups in the corporative organization of the Protectorate industry, as well as with the regional agencies of Speer's Main Committees and Rings. 1/ By virtue of these actions, concentration of economic control had thus progressed even further than in the Reich proper.

Two Protectorate industries were incorporated into the so-called super-cartels, which exercised government controls and were thus under direct control of the Germans. The shoe industry was under the jurisdiction of the Gemeinschaft Schuhe, and the glass industry was controlled by the Gemeinschaft Glas.

The most important local German agency in the Protectorate was the German Ministry of State, which had several departments dealing with economic matters. The Department for Economics and Labor exercised Reich

1/ Neue Züreher Zeitung, Zurich, 15 January 1945.

supervision over the autonomous economic administration, including banking and currency; the Department for Food Supply and Agriculture exercised supervision in the agricultural fields; the Department of Finance supervised the Protectorate financial administration and directly administered customs, excise taxes, and Reich monopolies; the Department for Transportation supervised transportation. Attached to the latter department were the Commissioner for Local Traffic and the Commissioner for Waterways, both delegates of the Reich agencies regulating transportation.

The following economic control agencies operating in the Protectorate were directly responsible to the German Ministry of State: Coal Control Office; Commissioner for Petroleum Industry; Commissioner for Machinery Production; Commissioner for Motor Transportation; Import and Export Office for Agricultural Products; Central Office for Public Contracts; Commissioner for Consumers' Cooperative Associations.

d. Czech Autonomous Agencies

In the autonomous government established for the Protectorate, a number of ministries dealt with economic matters. These ministries included: The Ministry of Economics and Labor; the Ministry of Agriculture and Forestry; the Ministry for Transportation and Communications; the Ministry of Finance; and the Supreme Price Control Office.

The Ministry of Economics and Labor was headed by a German official, in whose hands were centered most of the economic controls not handled by Reich agencies. He served as liaison officer between the Reich ministries handling economic matters and the Protectorate institutions. This Ministry was concerned with domestic and foreign trade, industry (except production), currency, banking, insurance, and labor. Attached to it was the Control Office, which organized the distribution of raw material (except coal and oil), as well as the production and distribution of industrial goods. In 1944, however, as occurred in the Reich, control of the distribution of raw materials and industrial production was transferred to several production committees headed by industrialists and directed by the Speer Ministry. The Control Office retained the functions performed in the Reich by the various Reichsstellen

and their regional agents. In fact, the Reichsstellen were represented in the Control Office through special delegates. 1/ In general, the Ministry of Economics and Labor functioned both as Gau Economic Chamber and as regional Labor Trustee for the territory of the Protectorate.

The Ministry of Finance, headed by a Czech career official, levied all direct taxes but collected only a part of the indirect taxes, because the Ministry of State collected customs duties and certain excise taxes and administered all government monopolies. Taxation in the Protectorate was adapted to the Reich pattern. The Ministries for Agriculture and Forestry, and for Transportation and Communications, were headed by Czech Ministers, the Supreme Price Control Office by a German official. All these agencies were directed and supervised by the Ministry of State.

c. Financial Control and Exploitation

Immediately after occupation of Prague by German troops, the National Bank of Czechoslovakia was put under control of a Reichsbank Commissioner. Gold and foreign exchange reserves of the bank were taken over by the Reichsbank so far as the Allied blockade permitted such operations. Foreign exchange transactions of the Protectorate were now carried out through Berlin, especially through the German Clearing Bank.

German currency was made legal tender in the Protectorate at the rate of one reichsmark to ten crowns. (The nominal value of the crown was slightly increased to adjust it to the new parity.) Since the exchange rate greatly overvalued the reichsmark, German purchases in the Protectorate were increased. Furthermore, customs and exchange barriers between the Reich and the Protectorate were abolished, which further contributed to the increase of exports to the Reich without corresponding imports into the Protectorate. As a result of these factors the price level in Bohemia-Moravia soon rose to reach parity with German prices; when this occurred, wages and prices were put under strict control by the same methods as used in the Reich.

The Protectorate did not acquire clearing balances in reichsmark

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1/ Der Neue Tag, The Hague, 15 December 1942.

currency but obtained rather German Government paper and balances with German banks. This situation applied specifically to the National Bank of Bohemia-Moravia, which by the end of 1944 acquired claims against the Reich totaling 55 billion crowns. It was also true of the commercial banks in the Protectorate, most of which were controlled by German banks, and to the savings banks and credit cooperatives, which were compulsorily attached to the German banking system and forced to deposit all cash reserves in the Reich. The Reich assessed upon the Protectorate a war contribution, the so-called matricular fee (Matrikulargebühr); its amount was not disclosed but it is known that the Protectorate government had to issue large loans to finance the payment, although regular tax revenue was high and current expenses restricted.

The Protectorate's contribution to the Reich in financial terms consisted however not only in the matricular fee, but also in the considerable amounts loaned by its banks to the Reich. Similarly as in the Reich and in all occupied countries, currency circulation in the Protectorate increased at an accelerating pace during the war; it reached (including current account deposits with the central bank) 48 billion crowns by the end of 1944, as compared with only 7 billion crowns for the much larger territory of Czechoslovakia before the war.

f. Other Means of Economic Control

Banking, industry, trade, and agriculture in the Protectorate were organized into compulsory corporative associations according to the German pattern. 1/ The various organizations, as a rule headed by German nationals residing in Bohemia-Moravia, served as economic control agencies as in the Reich. There were seven central associations corresponding to the Reich Groups. These seven associations were, in turn, divided into Economic Groups, Trade Groups, and Sub-groups.

Agriculture was organized into provincial, district, and local associations, forming together the Association of Agriculture and Forestry for Bohemia-Moravia. 2/ Control of distribution of food and feeds was

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1/ Decree on Organization of Economy, 26 June 1939 (Collection of Czech laws No. 168).
2/ Decree of 22 August 1942 (Collection of Czech laws No. 294).

in the hands of nine Bohemian-Moravian Associations for, respectively, Cattle and Meat, Milk and Fats, etc., fully corresponding to the Central Marketing Associations in the Reich.

Penetration of German business firms into the Protectorate was assisted by German agencies, by legal and illegal means, employing aryanization of Jewish property, transfer of enterprises owned by the Czech Government, sales under duress, etc. All Protectorate banks, with one exception, became affiliates of German banks, which thus acquired control of a great many industrial enterprises in the Protectorate and were able to take over Czech participations in foreign banking, especially in the Balkans. The most important Czech enterprises in the field of heavy industry and armament production (e.g., Skoda, Prague Iron, Brünn (Brno) Armaments) were taken over by the Göring and other German combines. Czech ownership in other industrial branches was, however, not much affected apart from the transfer into German or collaborationist hands of Jewish-owned enterprises and those owned by "enemies of the Reich." The German penetration into banking also had its effect upon bank-controlled enterprises.

3. The General Government

a. The Basic Principles of Organization

The Polish territories comprising the General Government were not considered part of the Greater German Reich but were administered by the Reich and in its own interest as a separate economic and administrative unit. The Polish population was forced by a rigid scheme of directives and orders to produce the results desired by Germany. A completely German administration was set up for the General Government, in which all important functions were in German hands while the native personnel was used only for technical assignments and for tasks of a strictly local scope. 1/ The German staff was drawn from the ranks of civil servants, lawyers, economists, businessmen, and private employees in the Reich.

Legislation in the General Government, according to Hitler's Decree of 8 October 1939, was the prerogative of the Ministerial Council for

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1/ Max du Prel, Das Generalgouvernement, Würzburg, 1942, p. 52.

Reich Defense, of the Delegate for the Four Year Plan, and of the Governor General, but there were only very few instances in which the first two of these Reich authorities issued decrees directly applicable in the General Government. The Governor General was directly responsible to Hitler and was a member of the Reich cabinet. In economic matters he received directives from the highest Reich agencies in charge of economic matters, including particularly Göring as Delegate for the Four Year Plan, who issued general directives for the guidance of the economic administration, and the Reich Minister for Economics, who in each particular instance authorized the General Government administration to conclude trade and clearing agreements with other countries.

b. Reich Agencies

The Delegate for the Four Year Plan was appointed to direct the economic exploitation of the General Government; he nominated the Governor General as his deputy. During the first period of occupation a separate Office for the Four Year Plan was set up in the region; its functions were later taken over partly by the General Government administration, partly by the Economic Council of the General Government. 1/

The Reich Ministry for Armament and War Production exercised direct control over General Government plants engaged in armament production, operating through the Armament Inspectorate in Cracow and the subordinated Armament Commands in Cracow, Warsaw, and Lwow. The Ministry also had supervision over public construction work, through the Technical Office at Cracow. With these exceptions all Reich controls over the General Government economy were channelled through the offices of the Governor General.

c. Agencies of the General Government

The General Government administration consisted of a central administrative authority (called Regierung des Generalgouvernements) and of regional agencies. Economic matters were handled in the central agency by the Economic Department , the Department of Food and Agriculture, the Forestry Department, and the Finance Department. A special

1/ Decree of 31 July 1940 (Verordnungsblatt für das Generalgouvernement, 1940, I, 233).

section in the Economic Department organized and supervised the administration of property held in trusteeship; other sections in the Department supervised the commodity control offices.

The regional administrative agencies had corresponding offices to take care of economic matters. The chief of a territorial administrative agency, however, was in full charge of all functional agencies in his area. These agencies were considered as his advisory and executive organs. There was no direct chain of command connecting the lower and the higher functional agencies, with the exception of the railroad and postal administrations.

The Finance Department administered the system of taxation (based on Polish and some new German legislation), customs duties, and the monopolies which supplied the greater part of public revenue. The state monopolies were the particular concern of the General Management of Monopolies, a section of the Finance Department. 1/ The Reich also collected a defense contribution from the General Government, the amount of which is not known.

The Eastern Railways (Ostbahn)(organized by the Deutsche Reichsbahn) and the German Eastern Post Office (Deutsche Post Osten)(organized by the Deutsche Reichspost) both formed parts of the General Government administration but had territorial organizations of their own, in which the local agencies were directed by the higher agencies.

d. Currency and Banking

The General Government formed a separate currency area divided by an exchange line from the Reich. Its currency in zlotys was issued by a German-created Bank of Issue (Emissionsbank) in the General Government organized as a section of the General Government administration. The new Bank was staffed by Polish nationals working under supervision of a German supervisor. The new zloty replaced both the former Polish currency and the Reichskreditkassen notes circulating during the first period of occupation. Foreign exchange dealings were controlled through the Foreign Exchange Office and in large part settled through

1/ Decree of 1 November 1939 (Verordnungsblatt 1939, p.27).

the Clearing Institute, both sections of the Foreign Exchange Department in the General Government administration. Exchange licenses issued by the General Government agencies were recognized as valid permits by the Reich authorities and vice versa. The General Government Clearing Institute operated through the German Clearing Bank in Berlin. Until 1 December 1942 the General Government formed a customs area separated from the Reich by a customs line; a Decree of 20 November 1942, however, abolished import duties on goods coming from the Reich and other German-occupied territories. 1/

Banks in the General Government were supervised by the Bank Supervisory Agency, headed by the same German official who acted as supervisor of the Bank of Issue. The Polish banks in the General Government were, therefore, left in existence, but German banks set up branches which became dominant in the credit business. In the insurance field, however, only two Polish companies, both of which had been German-owned before 1919, were allowed to continue operations. German and Austrian companies took over all other insurance business.

e. Industrial and agricultural controls

Production and distribution of industrial materials and manufactured goods was directed by Commodity Control Offices forming part of the Economic Department. They had functions comparable to those of the German Reichsstellen before the Speer Ministry took over production controls in the Reich. The needs of the Reich were decisive for the policies of the Commodity Control Offices. The Polish oil industry was controlled by a Special Commissioner. Furthermore, a private German corporation, a subsidiary of the Kontinental Öl A.G., was formed by several German oil combines to engage in the exploitation of oil fields in Poland and, later, the Ukraine. Trade in oil products was made a monopoly of the General Government.

Agriculture was under the jurisdiction of the Department of Food and Agriculture, which engaged in crop planning, supervised the collection of agricultural products, administered confiscated estates, supervised

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1/ Kölnische Zeitung, 24 December 1942.

farms in private hands and agricultural cooperative associations, etc. A Head Office for Management of Estates was responsible for trustee administration of confiscated and abandoned estates; it operated through a far-flung regional organization. Collection and distribution of agricultural products was in the hands of the Central Agricultural Bureau, comparable to the German Reichsstellen; it had branch offices all over the country operating with the help of the farmers' cooperatives. If the established quotas were not delivered by the farmers, the Germans resorted to random confiscation.

The corporative organization of the economy in the General Government consisted of a Central Chamber and four District Chambers, each of which was divided into four functional sections: industry and trade, agriculture, forestry, and labor. These sections, in turn, were subdivided into groups. Attached to the Chambers were Foreign Trade Agencies and Central Offices for Public Orders. Self-administration of business was used only in a limited degree as an instrument of government control.

f. Sequestration of Property

Industrial and commercial enterprises in the General Government were to a large extent taken over by the Germans, partly by the General Government administration directly (which organized for that purpose the Enterprises of the General Government Corporation)(Werke des General-gouvernements), partly by German firms which set up branch or subsidiary firms in the region. To induce German business to establish itself in the General Government, German firms were considered as German subjects and were governed by German law, even if their legal seat was in the General Government.

Confiscation and sequestration of private property was conducted on a wholesale scale; it was directed by the Trustee Agency Division (Abteilung Treuhandstelle) of the General Government administration, with field offices supervising the administrators appointed for individual enterprises. This section was originally a field office of the Haupttreuhandstelle Ost in Berlin organized under the Four Year Plan. 1/

1/ Göring Decree of 1 November 1939, Deutscher Reichsanzeiger 1939, No. 260.

The Trustee Agency Section took over property of owners who either were absent or were not recognized by the German administration, all property of the Polish state and other public bodies, and all property owned by Jews in Poland. In addition, private property of non-Jews was sequestrated by act of the district chiefs in agreement with the head of the Trustee Agency if sequestration was declared to be necessary in the public interest. The property of the Polish state was transferred to the General Government; Jewish property was sold outright. The Germans set up a Corporation for Liquidation of Trustee Property (Treuhandverwertungs GmbH) to dispose of confiscated property by way of sale or lease.

4. The Soviet Territories

a. General Principles

In the occupied Soviet territories, which included the former Baltic States, governmental authority was exercised by the German Army as long as the front line was near, and was transferred into the hands of German civilian agencies when this step seemed warranted by the progress of the armies. The organization of economic controls under both types of administration was, however, to a large extent identical and so were the measures put into operation. The uniformity of policies, measures, and organization was achieved through the close cooperation of military and civilian economic agencies, which were often staffed in leading positions by the same persons, and by the use of various organizations as executive agencies by both the military and civilian occupation authorities.

The objectives of German occupation policy in the Eastern territories can be summarized as follows:

(1) The short term objective was the mobilization of resources for the immediate purposes of the war.

(2) The long term objective was the organization of permanent colonization and control of the region by the German Reich.

Exploitation of industrial and agricultural resources and of native labor was carried much further in the Eastern territories than in the other occupied European lands. The basic difference in the respective policies adopted by the occupation power was demonstrated, moreover, by

its attitude toward native political and economic organizations and the way in which property and civil rights were handled. In German eyes local administrative agencies in the Soviet Union were not regarded as reliable for collaborative government. This principle, and the fact that the country was stripped of administrative personnel, 1/ were used by the Germans as justification for denying the local population self-administration and for reducing the country to the status of a colony administered and exploited without regard to the interests of the population. An entirely new administrative organization was built from the ground up to the highest level; the structure of the economic organization was radically changed by the transfer of all powers and property rights into German hands.

The point of departure for the economic measures taken by the Germans was established by the fact that private property in industrial and agricultural installations and land did not exist in the Soviet territories. In view of this situation, the Reich established itself as the inheritor of Soviet property. Industrial and commercial enterprises were operated by trustees and farms by state or cooperative organizations, or tenant farmers. Even in the Baltic countries, where nationalization of industry and soil was of recent date, private property was admitted only with respect to small shops, whereas peasants continued to be regarded by the Germans as tenants of the land they cultivated.

On this foundation of state ownership, the Nazis built a system of economic controls in which Reich authorities cooperated with corporate organizations of German economy. This system assured the highest degree of economic exploitation and prepared the ground for unrestricted penetration in the future by German private business. Transfer of ownership into private German hands was promised for the post-war period and thus the operation of industrial installations in the East for the account of the Reich Government was made even more attractive to German firms. Reprivatization of small shops and industries in the Baltic territories during the later period of German occupation was used as a political weapon to invite collaboration, but control over the economy did not pass out of

1/ Neue Ordnung, 29 August 1943.

German hands.

b. Organization of Economic Administration

The economic exploitation of the Eastern territories was directed by the Delegate for the Four Year Plan, who employed the territorial administration as executive agency. In the territories under military administration, the so-called Army Rear Zone (rückwärtiges Heeresgebiet), the Army Commander was supreme authority, but the chief of the economic section in his staff, entitled Economic Leader (Wirtschaftsführer), reported to and received instructions from the economic branch of the Supreme Command of the Armed Forces. This agency, in turn, maintained constant liaison with the Delegate for the Four Year Plan and other civilian Reich authorities. The economic branches of the military administration in the Army Rear Zone were thus interrelated with the Reich agencies formulating economic policies.

At a later period, the Supreme Command of the Armed Forces established the Economic Staff East (Wirtschaftsstab Ost) to handle economic affairs in Eastern territories under military rule. Located in Berlin, the Economic Staff East was a military agency but cooperated especially closely with such civilian agencies as the Economic Planning Staff in the Reich Ministry for Occupied Eastern Territories. 1/ After the Economic Staff East was established, the Economic Leaders became Economic Inspectors and operated as heads of the regional agencies of the Economic Staff. At the same time, they acted as liaison officers between this agency and the Military Commander of the territory.

The Army Rear Zone was divided into three or four Economic Inspectorates (Wirtschaftsinspection), namely the Economic Inspectorate North, Economic Inspectorate Middle, Economic Inspectorate South 2/ and, for a short period, the Economic Inspectorate Caucasus. Their administration was organized into several functional departments (Chefgruppen), dealing respectively with economics, agriculture, labor, forest and timber, promotion of industry, and vocation training, and (in the E.I. South only) Donetz mines. The territory of each inspectorate was divided into

1/ Ostwirtschaft, August 1942.
2/ Frankfurter Zeitung, 25 June 1943.

several areas administered by Economic Commands (Wirtschaftskommando), also organized into functional departments (Gruppen) with a few local branches.

In the territories under civil administration the Reich Ministry for Occupied Eastern Territories (hereafter referred to as the Eastern Ministry) was supreme authority. The Eastern Ministry was divided into several departments, one of which dealt with economic matters in general. In addition, there was a special section for the administration of property called "trustee administration" (Treuhandverwaltung), another for the administration of monopolies (Monopolstelle), and an office of the General Advisor (Referent) for Economic Questions. The chief of the economic department had an important position in the Ministry for Economics, where he handled economic affairs of occupied countries. The economic department of the Eastern Ministry was organized as the Economic Planning Staff, paralleling the military Economic Staff East. Both agencies were staffed to a large degree by the same officials. The policies applied in the territories administered by civilian and military agencies were thus fully coordinated, under the direction of the Four Year Plan Office. 1/

The Eastern territories under civil administration were organized into two Reich Commissariats (Reichkommissariat), one called Ostland, the other Ukraine, which, in turn, were divided into several General Commissariats (Generalkommissariat) and further into regional Commissariats (Kommissariat).

Certain economic tasks were carried out in the Eastern territories by organizations operating directly under the respective Reich agencies, particularly the so-called technical services. Transportation, construction, power exploitation, and similar activities were outside of the jurisdiction of the Eastern Ministry. Albert Speer, as Inspector General respectively for Roads, Water, Power, and Construction, established a Technical Control Office Ostland which supervised the Technical Offices engaged in railroad, highway, waterway, and similar construction work, in

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1/ Deutsche Bergwerkszeitung, 13 August 1944.

close cooperation with the Organization Todt. These matters were placed partly under one regional management. Railroad operation was controlled by the General Traffic Agency East under the Reich Transportation Ministry; the postal service was handled by a division of the Reichspost. Most of these agencies delegated officials to the staff of the civilian administration to establish liaison, in a similar way as they were represented on the staff of the military administration. As far as armament production in the East was concerned, direct controls were exercised by the Speer Ministry through the Armament Inspectorates Ostland and Ukraine and the subordinated Armament Commands and field offices. These Armament Inspectorates are not to be confused with the Economic Inspectorates in the Army Rear Zone.

Native government agencies with economic branches were established only in the formerly Baltic territories. They were given limited functions consisting only in the administration of the controls established by the Germans, particularly over labor and agricultural deliveries. In effect, these agencies were not even called "governments." The hierarchy of economic control agencies was based almost exclusively on the German officials and businessmen transferred to the East and on "racial" German settlers who were employed in the lower echelons.

Governmental agencies refrained from exercising direct control to a much greater degree than in the Reich, largely because the Germans used newly established public enterprises, usually called Eastern or trustee companies, as executive agents. The companies were given a monopolistic position in a specific branch of industry, trade, or agriculture and were entrusted with administrative duties, especially the control of production and distribution. The employees of the companies were in many respects regarded as public officials; they wore uniforms and enjoyed various privileges and special protection. The key companies were founded by Reich authorities, particularly the Office of the Delegate for the Four Year Plan and the Ministry for Economics, together with the Ministry for Occupied Eastern Territories. In some instances, these Reich authorities worked in cooperation with corporative organizations

of German economy. In this way the functional control agencies were tied in directly with the Reich agencies interested in this particular trade. The key companies, which founded regional and functional subsidiaries, operated both in the military and the civil administrative zones. Closest coordination with the territorial authorities on the regional level was achieved by appointing officials of the Commissariats, as chiefs of the company subsidiaries operating in the area. With the exception of some property items entrusted to individuals or firms, or used directly by government agencies, trusteeship over all Reich property in the Eastern territories was in the hands of the monopolistic companies. German industrial firms signed contracts with the trustee and operated enterprises for account of the Reich.

Inasmuch as the monopolistic organization of business excluded the setting up of competitive enterprise no cartels developed, but the Germans organized all industrial enterprises of the Ukraine and Ostland in economic associations. These associations acted as control organs of the administration and planned, directed, and controlled production, raw material supply, and distribution of industrial products. The associations comprised not only the private enterprises operating on leased Reich property but also the monopoly companies. The leaders of the associations were part of the administration and acted under supervision of the territorial authorities. In the Baltic districts, the Germans revised the native chambers of commerce and delegated a few functions to them.

The agricultural monopoly companies had the vital task of securing delivery of agricultural produce. Their territorial organization followed the pattern of the general administration: the officials on the lowest level supervised the native aldermen of the villages, who controlled those farms which were not operated directly by the company.

c. Techniques of Exploitation

(1). Agriculture

The first measures after the occupation consisted in the

taking over by special military units of all public and community-owned real estate and collective farms, the introduction of rationing, and the prohibition of the free sale of agricultural products. The confiscated real estate was declared Reich property and put under trustee administration. In the Baltic districts, and to a very limited degree also in the other regions, part of the land was later returned to private management by conversion of collective farms into individual or cooperative holdings. The title to this land was, however, retained by the Reich. The larger part of the agricultural land, and specifically the state farms, was operated directly by the Reich as its special economic property. A Public Land Administration Company (Landbewirtschaftungsgesellschaft) was established with branches for the Ostland and the Ukraine, to administer state farms and undissolved collective farms and to control farming on individual and cooperative plots. Its field agencies served as executive agencies of the territorial authorities in matters of agricultural control; the chiefs of the district and regional offices of the Company were at the same time officials of the General and the regional Commissariats and handled their agricultural matters. County officials operating under the regional were attached to the native local administration. In the Ukraine, the county officials supervised the managers of the state farms and the leaders of so-called base points for collective and cooperative farms, who in turn employed native aldermen to control individual farms. In the Ostland, the county officials used the farmer organizations as control organs. The latter were integrated into the native administration system. German control was exercised not only from the outside but also from within inasmuch as the German-administered farms had membership rights.

Agricultural controls became all-embracing through the operations of the monopolistic Central Trading Company East for Agricultural Produce and Supplies. (Zentralhandelsgesellschaft Ost für Landwirtschaftlichen Absatz und Bedarf Gmbh.)[1] This company was

1. Die Landwarte, 9 January 1943.

supervised by the agencies which regulated agriculture and trade in the Reich; the Reich Food Estate, the Reich Ministries of Economics and of Finance, the Delegate for the Four Year Plan, and the Reich Group Trade. Its head was a high official in the Ministry for Occupied Eastern Territories and, simultaneously, in the Economic Staff East. The Trading Company operated business branches and purchase and supply offices both in the military and the civil administered zones; in the Ukraine it operated through subsidiary companies. General instructions were issued to the Trading Company by the Eastern Ministry and the Economic Staff East, but its field offices also received instructions from the Reich Commissars and the Economic Inspectors, respectively. The activities of the Trading Company consisted in collection of agricultural produce, supply of seeds, machinery, fuel, etc., to farms, and trustee administration of food processing industries. In accordance with directives of the Delegate for the Four Year Plan, German firms were often employed under a contract to run food processing enterprises for the account of the Trading Company. At a later period, private firms from the Reich were employed to take over collection points, warehouses, and local supply offices and to operate them for account of the Trading Company under control of the regional officials of the Land Administration Company.

The collection of agricultural products was handled in the following way. A farm operated by an individual or a cooperative group, had to deliver a specified minimum quantity of the product. In addition to cash payment for quota deliveries, premiums were paid in consumption goods for excess deliveries. On collective and state farms the whole production was collected and wages paid to the workers. In order to force farmers to increase their deliveries, industrial products were very often sold only to those who delivered more than their quota. The monopolistic position of the Trading Company and its subsidiaries, as well as the monetary inflation made this method very effective.

The organization of forestry and timber production was typical of

the method of coordinating specific sectors in the Eastern and the Reich economies. Native personnel, and in the Baltic regions, native agencies(called Forestry District Directorates) were employed in the administration of forests. These agencies and employees were supervised and directed by forestry sections in the territorial administration with a liaison section in the Reich Forestry Office securing coordination with Reich policies. Production of timber was in the hands of private German firms organized and controlled by the economic administration of the civil and military authorities in the same way as the industrial firms.

(2). Industry

After the occupation of Soviet Russian territory, German military units took over all industrial property owned by the Soviet states, public corporations and associations, and also the property of Jews and absent owners. Industrial enterprises were declared part of the Reich's economic property. A decree issued jointly by the Ministry for Occupied Eastern Territories and the Delegate for the Four Year Plan reserved the appointment of trustee administrators to the Reich Commissars. Administrators were appointed from among individuals, business firms, or trustee companies. Production and distribution of spirits and tobacco were declared the domain of the General Management of Monopolies.

Small trade, handicraft and industrial enterprises in the Baltic territories were permitted to operate under private ownership. These enterprises had never been fully nationalized by the Soviets; moreover, the Germans did not consider these enterprises attractive enough to warrant assuming trusteeship over them. Subsequently, the reprivatization of such enterprise was used to attract the collaboration of the native element. Inasmuch as the owners had to appoint specified managers or accept other obligations, German control was not diminished by the transfer of property rights.

The Germans considered the objective of industrial enterprises in

the Eastern territories to be the production of raw and semimanufactured materials for use in the Reich rather than of industrial goods to be used locally. Production tasks were set by the economic branch of the Supreme Command of the Armed Forces and the Delegate for the Four Year Plan, as well as the latter's subordinate, the General Inspector for Acquisition and Use of Raw Materials in Occupied Territories. The Armament Inspectorates Ostland and Ukraine and the Sub-ordinated Commands acted as field offices of the Armament Ministry in matters of armament production in territories under civil administration, whereas overall control over industry was exercised by the territorial authorities, the Eastern Ministry, and the General and regional Commissariats. In the military zone, all control powers were held by the Economic Inspectorates and Commands.

The territorial authorities employed the monopolistic trustee companies, as well as corporative organizations of industrial and business firms as executive agencies. In the Ukraine, where only German firms operated, industrial enterprises were organized in a number of economic associations patterned after the German super-cartels (Reichsvereinigungen).[1] Supervised by the Reichskommissar, the cartels exercised complete control over production, supply of raw materials, tools, etc., and the distribution of industrial products. Their chiefs formed part of the public administration. Somewhat different was the organization of the oil industry which was controlled by the Mineral Oil Agency Ukraine, and of the Rubber industry which was controlled by the Rubber Ring Ukraine. Both industries were supervised by the Reichskommissar. In the Baltic territories, both regional economic chambers and functional economic associations were set up, headed by a Main Economic Chamber for Ostland.[2] The leaders of these organizations were appointed by the Reichskommissar who delegated control powers

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1. Europa-Kabel, January 1943.
2. Ostwirtschaft, September 1942.

to them. The native Directors and Councilors in the Baltic territories were also supposed to handle economic matters, but their powers were very much restricted.

The Reich agencies in charge of German industry were directly linked to the control over industry in the Eastern territories by their participation in the trustee or Eastern companies. These public enterprises were organized by the Office of the Four Year Plan, the territorial authorities, the Reich Agencies in charge of industry, and the corporative organizations of German business which had an interest in the specific industrial branch. Most of these enterprises operated both in the civil and military zones, either from their seats in Berlin or through subsidiary trust companies in each General Commissariat.[1] Others were established for operation in a certain territory only, with their seats in Berlin or in the East. Each trustee company had a monopoly of trade and production in its line of business; it administered the industrial installations in this line, but entrusted a private German firm or its own subsidiary with the operation of the plants. The General Management of Monopolies also was authorized to turn plants over to German firms. The German firms which undertook to send personnel and machinery to the East to operate Reich property were called "patron firms." They manufactured for the account of the trustee against a certain payment stipulated in the contract and were promised first consideration when after the war the plants were to be turned over to private hands. Although ownership in industrial enterprises did not pass out of public hands, German industry established itself in a dominating position under the cover of management for the Reich.

The penetration of German business firms into the wholesale and retail trade in the occupied East was virtually unlimited. In the retail trade, three types of shops were admitted to business. The German shops set up by Reich firms supplied German enterprises and individuals, whereas private shops, in the Baltic territories, and communal shops, in the

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1. Pariser Zeitung, 8 August 1942.

other parts of the USSR, served the native population. Wholesale trade in the Baltic territories was in the hands of German firms and of a few native and mixed enterprises. Each of these firms specialized in a certain line and operated in all Baltic districts. In the other territories, however, wholesale trade was entirely reserved for German firms. Some of these specialized in particular products and covered the whole territory; others, called district firms, had general trading rights within a limited district. To be authorized to conduct trading activity in the East, a German firm had to sign a contract with the trustee company which supervised and promoted commerce in a given territory. The trustee companies (two or three at various times) were subordinated to the Wirtschaftseinsatz Ost GmbH., a company founded by the Delegate for the Four Year Plan to organize the supply of consumer goods for all persons working for Germans in the East. This company also organized the supply of materials and machinery for industry and handicraft, produced locally or imported, collected and marketed scrap material, cooperated with Eastern companies in organization of consumer goods industries, and controlled the foreign trade of the Eastern territories. Several firms from Hamburg and other Hanseatic towns were given monopolistic positions in the foreign trade between the Baltic territories and Scandinavia, as compensation for their loss of overseas trade.

(3). Finance

(a). Currency. During the first period of occupation ruble currency was allowed to circulate. Local expenditures of the German Army were financed by the issue of occupation money called Reichskreditkassenscheine. This money was declared legal tender at a fixed exchange rate to the ruble which depreciated the latter currency considerably. Later, all except small denominations of Soviet money were withdrawn from circulation and replaced by occupation currency or a new local money.

(b). Reichskreditkassen. The general policies of these banks were directed from Berlin by a central office attached to the

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(b). Reichskreditkassen. The general policies of these banks were directed from Berlin by a central office attached to the

Reichsbank.[1] The individual institutions were, however, established by decree of the Supreme Command of the Army. They were controlled by the military commander in the operation zone, by the civil authority in the civilian zone. In the beginning the Reichskreditkassen served not only as soldiers' and Army banks, but also as fiscal agents for the territorial authority and as general credit institutions. In the Ostland and the Ukraine their functions were taken over by central and regional banking institutions founded by the Germans. In the Army Rear Zone, the Reichskreditkassen continued to operate as military banks and as central banks for the new "economic banks," described below. Reichskreditkassenscheine continued to be legal tender all over the occupied territory.

(c). Central Banks. The Eastern Ministry in cooperation with the Reichsbank set up a central bank in the Ostland and a central bank in the Ukraine. Over-all banking policies were directed by the Reichsbank, which delegated officials to manage the new institutions. The Reichskreditkassen existing in the two territories and their local branches were incorporated into the central banks. The Ostland bank did not issue a local currency, but put the Reichskreditkassenscheine into circulation which it received from the head office of these institutions.[2] The Ukraine bank, on the other hand, issued a local currency the unit of which was called Karbowanetz.[3] The assets of both institutions consisted chiefly of Reich bonds and other claims against the Reich and Reich institutions, and of claims against the territorial authority. In the military zone, no central bank was established, but the Reichskreditkassen served as the central bank of the local institutions.

(d). General Banking. In the field of commercial banking the German policy was not consistent. After having set up a number of local banking and clearing institutions to supplement the existing Reichskreditkassen, and having encouraged the reopening or founding of private institutions,

1. Die Bank, Berlin, 30 September 1942.
2. Bankwirtschaft, 1943, Issue 11.
3. Frankfurter Zeitung, 1 June 1943.

the Germans later decided to concentrate commercial banking in the hands of a few larger German-controlled institutions and to close the other banks. Monopolistic institutions, called "economic banks" (Wirtschaftsbanken), were founded by the military authority in the operation zone, and by the Reich Commissar in the Ukraine. These banks conducted general banking business in specific regions, accepted deposits from local authorities, institutions, enterprises, and private depositors, advanced credit to the administration and to business enterprises, collected taxes, etc. They took over all existing credit institutions except the savings bank and credit cooperatives. The economic banks belonged to an administrative organization of their own and formed a clearing association with the help of a Central Economic Bank. The excess reserves of the economic banks and of the savings and cooperative banks were deposited with the Central Bank in the Ukraine, and a Reichskreditkasse in the Ostland. In contrast with the state-owned banks in the military zone and the Ukraine, private German banks operated in the Baltic territories;[1] two Berlin banks established subsidiaries, and one operated a branch there. In addition, a corporative bank (Gemeinschaftsbank Ostland) was founded by the German authorities to serve as a clearing bank and financial center of the native credit cooperatives and savings banks.

(4). Foreign Trade and Exchange.

Foreign trade of the Eastern territories, with countries other than the Reich, was conducted by monopolistic German firms in cooperation with private banks, on the basis of compensation or barter agreements which specified that imported goods had to be paid off at once by exports of domestic products of the same value. No clearing claims resulted from these transactions. Trade with the Reich was not subject to exchange restrictions, but each of the General Commissariats

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1. Industria, Stockholm, 26 September 1942.

and the operation zone were considered as territorial units with separate currency (although Reichskreditkassenscheine circulated freely in and between these territories). Payments to and from the Reich were carried out through clearing accounts. In this way it was assured that the Ostland, and probably the other territories too, had an adverse balance of payments with the Reich and were debtors of the German Clearing Office. The reason for this development consisted in the high contributions collected by the Germans under the title of occupation costs, which exceded even the value of exports to the Reich and of goods purchased and consumed on the spot by the German Army in the East. In addition the German firms, public as well as private enterprises, operating in the Eastern territories transferred their sizable profits to the Reich, and the German nationals employed in the East had their salaries paid at home, to the debit of the Eastern clearing accounts.

(5). Financial Control as a Means of Exploitation

Due to the extensive purchases and confiscations of local products by the German authorities and enterprises and the lack of adequate supply of industrial goods and even foodstuffs for local consumption, native farmers and workers were unable to spend in official markets their income, low as it was compared to the situation in the Reich. The population was not inclined to deposit unspendable money in savings accounts, but hoarded or used it for purchases in black markets. Current expenditures of the German authorities, as far as they were not covered by taxation, were financed by issuance of new money. The local expenditures of German firms for expansion of their enterprises were financed out of credits extended by the banking system. This liberal financing of German expenditures resulted in a steady increase of the money circulation at a time when no goods were available through regular channels to cover the basic needs of the population. Price controls in the sphere of goods for native consumption were inefficient. Eventually the legal currency was refused by natives in their own dealings and replaced by goods for which there was general demand, such as liquor.

German countermeasures were inefficient since the basic conditions remained unchanged. On the contrary, the Germans had to accept barter as the basis of their own operations with the native population because the latter did not consider money as an adequate means of payment. To farmers who filled or exceeded their delivery quota and to workers who reached or exceeded the minimum output the Germans issued certificates entitling the holder to purchase goods of daily use. The German authorities were thus forced to increase somewhat the share of the national product in the Eastern territories which was made available by them for consumption by the native population. This change in their policy was considered justified only because otherwise the productivity of labor would have fallen off considerably.[1]

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1. Bankwirtschaft, 1 September 1943.

5. Balkan countries

a. General Statement

After occupying Albania, Greece, Montenegro, and Yugoslavia the Germans set up puppet regimes closely controlled by the German military administration. The amount of authority held by the native governments changed frequently, but in economic matters German controls were always very strict. Continued and unrestricted supply of agricultural and industrial (especially mining) products from the Balkan countries was of paramount interest for the German war economy. This fact was reflected in the selection of economic experts for leading positions in the German administration. An outstanding example was the case of the former IG-Farben official, Hermann Neubacher, who became Special German Envoy of the Foreign Office for the Balkans, attached to the Military Commander Southeast, and Special Delegate of the Reich Government for Economic and Financial Matters in Greece; another example was the appointment of General Consul Franz Neuhausen as Plenipotentiary for Economic Affairs in Serbia, under the Delegate for the Four Year Plan; Neuhausen was attached to the Military Commander of Serbia, and later became chief of the Military Administration Southeast.

German economic controls in the occupied Balkan countries were exercised either through direct action of the economic departments of the military administration, through the appointment of German commissioners to supervise the native administration, or by the assignment of German officials to key positions in the direction of these agencies. To secure delivery of agricultural products, for instance, the Germans used mostly direct control and requisitioning methods; they also took over most mines and operated them by military formations (technical battalions), the Organization Todt, or German mining companies.[1] German army personnel operated the Balkan railways

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1. Greek agriculture, mining, and industry were directly controlled by the German military administration.
Deutsche Wirtschaftszeitung, June 1944.

or at least closely supervised the native railway personnel. The native administration branches in charge of economic affairs, prices, etc., the native banks of issue, and the agencies controlling private banking were controlled by German officials.

The following description of German economic controls in Serbia may be considered as representative of the pattern employed by the Germans in all occupied Balkan countries.

b. Serbia

The parts of Yugoslav territory established by the Germans as the State of Serbia were placed under military administration which at first was headed by a commanding general for Serbia. Later the area formed part of the Southeastern command. German economic controls were centered in the hands of General Consul Franz Neuhausen, a NSFK Obergruppenführer, whom the military commander, as well as Göring as Delegate for the Four Year Plan, appointed "General Commissioner for Economy in Serbia" (Generalbevollmächtigter für Wirtschaft in Serbien).[1] He also was commissioner for the Ore Mining Industry in the Southeast under Göring. At the end of 1943, Neuhausen became chief of the whole military administration in Serbia, acting under orders of the German High Command and the Delegate for the Four Year Plan, with several other Reich agencies cooperating in making policy decisions about Serbian economy, among others, the Reichsbank as organizer of the Reichskreditkassen. The over-all coordination of policies of the military administration with the directives of the supreme Reich agencies was very plain in this specific case. Nevertheless, Neuhausen complained in his reports to Göring of contradictory orders emanating from Reich agencies interested in the Serbian economy.

The general objective of German economic control in Serbia was the same as in other occupied territories, namely, according to the formulation of a German writer, "to have all economic and industrial capabilities of the country contribute to assuring a full supply of foodstuffs for the European continent out of European production and

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1. Das Reich, 27 August 1944.

to strengthen the continental war potential by development of Serbian industrial facilities".[1] The methods of control employed in Serbia differed from those used in the Western European countries under military administration, nor did they resemble the system of colonial administration employed in Russia. The basic principle was direct control of the Serbian economy exercised through Neuhausen's office as well as through German officials, civil servants, and economic specialists, who were appointed to key positions in the native administration. In addition, German industry took over the most important Serbian mines and industrial plants. The Serbian economy was thus controlled in a way comparable to that used in the Protectorate and to a lesser degree in the General Government.

The German administration set up a detailed crop plan for Serbia and the farmers were forced to comply with planting regulations. Specific quotas for delivery of agricultural products were set up for each farmer or for whole communities and were enforced by the German authorities. German officials took charge of controls affecting mining and industry. German policies regarding price and wage control, government finances, taxation, and credit matters were put into effect by Serbian agencies. Foreign exchange controls were exercised by the Military Devisenschutzkommandos. A Serbian National Bank was founded, operating under control of a German commissioner. It issued a new Serbian dinar currency in exchange for Yugoslav notes and Reichskreditkassen notes circulating in Serbia. Aluminum-bronze coin was withdrawn and sent to Germany. An Office for Bank Supervision was also set up and worked out a reorganization plan for Serbian banking, which was put into effect with the help of the administration. The number of banking institutions was restricted and German banks jointly with their Austrian affiliates acquired control of the leading Serbian institutions, taking over among others the interests held by Czech banks. Neuhausen himself became chairman of one of these banks. Strict control was exercised over credit activities of

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1. Das Reich, 27 August 1944.

the banks. All credit institutions were organized in the syndicates in order to enlarge the sale of government bonds. In the Serbian insurance trade, furthermore, German and Italian institutions acquired large interests.

Apart from agriculture, it was Serbian mining which constituted a major objective of German attention. Most of the mines damaged during hostilities were shortly brought back into operation, with the help of the Organization Todt (OT). The Germans initiated and partly carried out a considerable expansion of mining, ore processing and refining facilities, construction of power plants, roads, etc., but the lack of labor and sabotage of mines, bridges, and other transportation facilities reduced the output of ore. German private enterprises also participated in the exploitation of Serbian mining resources, acquiring ownership or taking the mines over for trustee management. The list of these firms included the Göring, Preussag, Manfeld, and Krupp combines; a new company, the Magnesit Südost AG Berlin, was formed to operate magnesite mines owned by Serbian and French interests.

The "aryanization" of Jewish enterprises was another instrument for the penetration of German business into Serbia, but even non-Jewish firms were taken over by the administration if they were considered important for the war effort. A census of Jewish property was taken and formed the basis of its liquidation with the help of the State Mortage Bank. The proceeds were taken over by the German military administration "for regulation of war damage and other claims of citizens of the Reich." The disposal of Jewish property was considered important, because of its effects on the future economic structure of the country; it was reported that Göring cooperated directly in this matter. The organization of racial Germans (Volksdeutsche) in Serbia had a large part in the "aryanisation" procedures.

Foreign trade was fully controlled by the German authorities, which also took part in trade negotiations with the Reich and other countries. Serbia had to increase exports to the Reich and, by German order, also

to other countries. A German-Italian agreement fixed the share of Serbia's agricultural exports which the Italians were to get, and Italy assumed certain obligations to supply Serbia with industrial products. The Reich received agricultural and mining products from Serbia and supplied her with raw materials, mining equipment, and agricultural machinery, predominantly destined for expansion of the industries working for the Reich directly or indirectly. Serbia acquired considerable claims in the German-Serbian clearing accounts as a result of a favorable export balance; by the end of 1943, the total claims amounted to 9,800 million dinars (490 million RM). On the other hand, Serbia was debited in the books of the German Clearing Bank for the amounts claimed by Croatia and Bulgaria out of capital transfers. Until spring 1943, increase of Serbian export prices was practically offset by higher German export prices, but, later, inflation in Serbia proceeded at such a pace that increase in German clearing debts was partly due to higher Serbian prices.

Serbia had to pay occupation costs to the Germans, the amount of which was increased due to greater military activity and also to higher prices in the country. The monthly rate in 1941 was 240 million dinars; by 1943 it had increased to 2 billion dinars monthly. The Serbian administration increased taxes and floated several loans to finance these payments, but the greater part had to be covered from advances by the Serbian National Bank. As a result of this policy, as well as of the financing of export claims against Germany out of central bank credit, note circulation in Serbia expanded constantly and reached 25,500 million dinars at the end of 1943, as against 4,200 million dinars in June 1941. The effect of this expansion was an inflation of prices which caused the Germans many difficulties.

Serbia's contribution to the German war effort consisted not only of goods supplied and services rendered to German troops in Serbia and of exports to the Reich, but also of deliveries of foodstuffs, building materials, machinery, and services rendered (especially railroad

transportation) to German military and para-military organizations in neighboring countries, such as Army supply services, engineering services, Air Force units, Organization Todt, construction offices located in Germany, the General Government, Bulgaria, Croatia, Greece, etc. These exports were not paid for through the clearing but out of Serbian currency received by the Germans as occupation costs, or out of Reichskreditkassen notes which were not supposed to be issued in Serbia but had to be accepted there as payment and exchange by the National Bank. Certain services had to be paid for by the Serbian administration in addition to the occupation costs. This exploitation of Serbia reached such proportions that the German Plenipotentiary for Economy complained in one of his reports to Göring that Serbia in relation to its productive capabilities was contributing more than other states in the Southeast.

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D. Indirect Economic Control

1. Introduction

Germany did not consider the occupation of the Western European countries either as a permanent stage or even as a step toward incorporation or annexation of the respective territories. Where specific districts were slated for annexation they were incorporated de facto shortly after occupation. For this reason, economic exploitation of the Western European countries was carried out by methods basically different from those used in the East, especially in Poland and Russia. The Germans did not assume direct control of the economic life in the West and did not usurp ownership of industrial plants and landed property. Apart from the taking of war booty, which in the West, too, seems often to have transgressed the limits set by international law, the Germans "purchased" there all the supplies they wanted to acquire. Due to their intricate system of financing these purchases with loans and contributions the result was the same as in the East, namely exploitation in favor of the Reich.

The basic method applied by the Germans in controlling Western European economies to make this exploitation possible was that of indirect control through the use of native administrations and organizations for purposes of economic control of occupied countries. In a few sectors of the economic structure the German authorities considered direct control as being vital for their interests, but in general they abstained from establishing economic control organizations of their own. They relied on native authorities who were made ready to collaborate by extensive changes in the leading personnel and were reorganized in most cases to fit the German purposes. The reorganization consisted in an extension of controls exercised by the native authorities, and in the setting up of corporative organizations of agriculture, industry, and trade, fashioned more or less after the German pattern. The German occupation authorities kept the native agencies under close supervision and directed the lines of their activities, placing officials in key points and reserving for them the right to pass on every important decision.

The existence of an unoccupied zone complicated the German controls in regard to the French economy. In order to extend their domain into unoccupied France and especially into the rich French North Africa, they had to rely on the cooperation of the Vichy government. In return for this favorable attitude, they granted concessions in political and economic matters, for example, admitting Vichy legislature and administrative measures in the occupied zone (subject to prior approval by the German authorities). The instrument for German control in unoccupied France and North Africa was the German Armistice Commission set up to supervise execution of armistice terms in both occupied and unoccupied France. The Commission acted as intermediary between the French administration and the German commander in France. Complaints of the Vichy government against actions of the German occupation authorities were presented by the French delegation to the Commission in Wiesbaden and the Germans presented their claims to the French, often using threats or deciding arbitrarily what the French were to do in execution of the Armistice Convention far beyond its literal provisions.

The method of indirect control had a number of advantages for the Germans. First, it reduced their need for trained German personnel. A few specialists were able to supervise and direct the work of a native control agency, employing a large native staff, with the same efficiency which a German-staffed agency would have developed. Second, the possibilities of friction with the broad masses of the population were reduced by the simple fact that native officials took over the technical job of implementing German directives by direct action. Third, the efficiency of controls was increased by the collaboration of native individuals in important positions, industrialists, government officials, etc. Fourth, the amount of force and pressure necessary to assure compliance with German orders was reduced by clever maneuvering of the German authorities between native parties, groups, and individuals. Fifth, in the case of France an extension of German influence into non-occupied territory and especially North Africa was secured by the method of indirect control.

Collaboration of native elements was thus a necessary element in the German economic control of Western European territories. This collaboration was secured with threats of confiscation of property and deportation, with promises of favorable treatment of the occupied country or of specific industrial branches, and with bribes in the form of special privileges accorded to firms and individuals. Less tangible but no less influential, there was the threatening example of the Eastern territories in which Germany had not hesitated to assume full and direct control of the economy. Furthermore, there was in many cases a community of interests if not of ideas between some native industrialists and businessmen and the German overlords; but in most cases the simple desire to preserve the ownership of the plant and also to prevent the employed workers from losing their jobs and being deported to Germany explains a willingness to collaborate in the form of accepting German orders, etc. But these factors would still not have been so effective were it not obvious that Germany was able to assure the supply of raw materials necessary for continued operations and to pay for the work done. This factor was based on the German control over the distribution of domestic and foreign raw materials, one of the basic points of the German scheme, and on the German ability to manage unlimited domestic means of payment, another vital point.

The extent to which Germany resorted to direct control or applied any of the pressures to secure more collaboration depended to a large extent upon the activity of the native resistance movement, on the one hand, and on the international and military position of the Reich, on the other. During the period of Germany's maximum strength, collaboration of native government agencies, autonomous organizations of industry, and industrialists was secured without much difficulty in many countries; when the Allies scored political and military successes and a higher economic effort became necessary for Germany, the native resistance movement in most countries was strengthened and German leadership seems to have slowly lost confidence in the reliability and effectiveness of

the collaborationists. The slogan of the New Order in Europe gradually disappeared from the language of German propaganda and was replaced by the idea of the common fight against communism, etc., in which the other European nations were obliged to join and if necessary were to be forced to give assistance, especially in the economic field. In this way, it became more obvious that the basic German idea was actually to exploit these territories and their inhabitants in favor of the German economy under the sole objective of achieving a maximum contribution with a minimum of effort on the German side. On the whole, German authorities seem to have preferred to transplant factories and workers and transport raw materials to Germany, instead of manufacturing the product in the occupied country. They abstained from doing this when for economic reasons, such as location of raw material sources, transportation difficulties and similar factors, it was imperative to continue production on the spot. When the German labor supply was depleted by the increasing induction of German workers into the Army, more foreign labor was conscripted for work in the Reich. Foreign industry was then forced to "concentrate" and close down many plants.[1]

2. First Economic Measures.

The measures of an economic character taken by the German Army commanders in the initial period of occupation of Western European countries followed this pattern:[2]

a. Reichskreditkassen were established and the currency issued by them was declared legal tender at a specified conversion rate to the native currency.

b. The military authorities were empowered to impose duties payable in cash.

c. Certain commodities were subject to immediate requisition and sales of consumer goods were restricted to the usual volume. Owners of requisitioned goods had to declare their stocks to the authorities while refraining from non-authorized sale or disposal. This order was in some countries implemented by

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1. Pariser Zeitung, 26 July 1942.
2. Verordnungsblatt of Military Commander in Berlin and Northern France (VBl-Belg.) passim.

the establishment of special military agencies to control the distribution and consumption of certain goods.

d. Supervision of industrial, agricultural, and forest production was placed in the hands of German authorities who, however, usually ordered the native authorities to continue functioning and assumed control over them.

e. Exports and imports were subjected to control by the occupation authorities.

f. All commercial and industrial enterprises were ordered to continue operating; temporary administrators were appointed for enterprises whose owners or managers were absent.

g. A census of industrial capacities was taken by the Armament Commands.

h. Prices and wages were frozen at the established levels.

i. German property seized as enemy property by the defeated nation was restored to the former owners.

j. Military material and stocks held by the state were declared war booty. Under the same title, the Germans confiscated all manufactured products, and frequently those products in the process of manufacture held by private firms which were working on armament orders for the state. The firms were ordered to stop production. All armament programs in progress were listed.

k. State-owned plants were stripped of machine tools and raw materials. Special machinery for armament production was in some cases only sealed and put under the control of the Armament Commands.

These measures differed only in form from those applied in the East (except Russia) and Southeast. Their main objective, apart from the taking of war booty, was to facilitate immediate exploitation of the conquered territory for the benefit of the German Army. This exploitation took the form of requisitioning, according to German needs, of supplies held by civilians and private enterprises, and of services of the local population. Another important objective was the resumption

of work in industrial plants and other public and private enterprises, which was considered as a means of securing peace and order among the urban population and as an instrumental step in the efficient utilization of the country's resources. Price and wage control and the issuance of occupation currency completed this program from the financial side. Penetration of German capital, although initiated by the reestablishment of German investments and property rights, became an objective of the policy only at a later period.

3. Reorganization of Native Institutions

a. Government Agencies

At the time of the German invasion, the organization of state economic controls in all occupied territories was inadequate if compared with the far-reaching powers which the Reich Government exercised over German business. In order to apply the principle of indirect control the Germans had to reorganize the government agencies handling economic matters in each occupied country. The powers of the German-controlled native administration over native business were enlarged and public control functions centralized in such a way that native agencies became suitable tools for directing the national economy. In this way German control was simplified and the number of control posts and German officials necessary to fill these posts was reduced. When reorganizing government controls and agencies, the Germans, of course, also subordinated them to the economic sections of the occupation authorities, set up so as to duplicate the upper brackets of the native administration. At the same time they replaced uncooperative elements in the native administration with, from their point of view, reliable ones. Although the general principles of the reorganization were identical in all territories under discussion, the resulting pattern of economic administration differed from country to country and was often modified, during the course of the occupation, because of changes in the political and economic situation and the German objectives. The most common modification was that the powers of control were transferred to corporative organizations

of native business and industry established upon German initiative and more or less according to the German pattern.

Once native agencies had been reorganized to fit the German needs the occupation authorities transferred to them execution of many of the control powers taken over immediately after invasion. Decrees and regulations in regard to control of industrial and agricultural commodities issued by the native authorities in agreement with the Military Governor were declared to have the character of regulations implementing the respective control decrees issued by the occupation authority.[1]

The reorganization of the government agencies handling economic matters in several of the occupied Western countries may be briefly described. For example, after occupation of the Netherlands, the functions of the native government bureaus dealing with the distribution of raw materials were expanded and the entire trade and industry and shipping were subject to their control. The government bureaus, however, were deprived of most of their control functions as soon as Dutch business had been organized in corporative associations in accordance with the German pattern. In Belgium, the Germans decided to control business through the Secretaries General, permament civil servants who in peace-time conducted the various departments of the government under direction of the ministers. The powers of these officials were enlarged considerably after the occupation, partly in violation of the Belgian legal code. This was true particularly of the law of 10 February 1941, by which the head of the Ministry of Economics was given the right to exercise almost complete control over the economic life of the country. Before this law was issued, the Secretary General of Economics had already established a number of Central Commodity Offices which took over the control of the distribution of raw materials from the German commodity offices, and were also charged with supervision of industrial production. The Commodity Offices operated according to orders of the German authorities, with whom they kept close contact. A Service for

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1. Decree of Military Governor in Belgium and Northern France of 5 November 1940 published in VBl-Belg. of 9 November 1940, issue No. 21.

Distribution and Stocks was formed to direct the supply of consumer goods according to orders of the Ministry for Economics and the Ministry for Agriculture and Food, under immediate supervision by the German authorities. Production of agricultural goods was put under control of the Ministry for Agriculture and Food, which used as executive agency the corporative organization of agricultural producers.[1]

After the outbreak of the war, the French state set up a system of government controls over industry and agriculture, based on cooperation of government agencies with agricultural and industrial associations to which various control functions were entrusted. Following the armistice in 1940, the Vichy government created a central allocation board for raw materials under the Ministry of Production. It consisted of twelve sections dealing with groups of commodities allocated to industrial users. Purchase, sale, and use of certain materials was subject to control. The board and its sections, though supervised by government commissioners, were not staffed by civil servants but by leading employees of French industry. The sections operated in close relation with the organizing committees of the industry. The French Government further set up a Délégation aux Relations Economiques Franco-Allemandes within the Paris branch of the French Treasury to coordinate all negotiations of an economic character between French and German authorities; this Delegation kept in close touch with the Economic Department of the Military Commander and the Economic Delegation of the Armistice Commission.

In Norway, too, state control over business was extended after the German invasion. In 1942 the Minister of Economics was authorized to close non-essential enterprises.

b Corporative Organization of Business

In the Reich, state control of the economy depended for efficient and economic functioning upon the cooperation of the controlled individuals organized in compulsory associations of the corporative and cartel types. The Germans tried to apply the principle of delegated

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1. See Section 5.

control powers and of industrial and agricultural self-administration also in the occupied territories, especially those which were highly industrialized. The basic idea was that the structure of controls would thus be assimilated to that in the Reich and German control simplified. Moreover, the Germans seem to have hoped to secure full support of the collaborationist groups, especially so far as big business was concerned, if they increased their power in the economy of the respective country. They instigated, therefore, in all Western occupied countries, the establishment of corporative organizations of agriculture, industry, and trade according to the German pattern. In the Reich, however, these organizations took over from the state most of the production and distribution controls and operated under their own responsibility, though under orders of the Reich agencies. The corporative organizations in occupied territories, on the other hand, were mostly employed by the state only in an advisory capacity, exercised only a few control functions as delegates of the authorities and had hardly any control powers under their own responsibility. The reason for this development was political. Even collaboration of industrialists, though often far-reaching, was always precarious and doubtful, and the Germans did not dare to entrust the native organizations with jurisdiction without direct control by the state and mostly also the occupation authority. Within these limits, however, corporative organizations were set up in all Western occupied countries.

The French Government of the pre-Vichy period used industrial associations to secure smooth mobilization of the nation's industry for the war. After the armistice, so-called committees of organization - more than a hundred in number - were set up by the Vichy Government to control production in specific industries. The Ministry of Industrial Production appointed the members of the committees usually from lists of businessmen prepared by the manufacturers in the field to be controlled. As a result of this practice the leading producers were presented in the committees. Each committee was headed by an executive director controlled by a government commissioner. The

committee conducted a census of industrial capacity, stocks, and labor supply, organized production and standardized production methods. Their advice in price matters was frequently sought. They were authorized to close plants, transfer labor, establish production programs, supervise distribution of raw materials and equipment, allocate markets, require the use of special kinds of equipment, and collect contributions from operating plants to pay indemnities to the owners of closed establishments. In the allocation of raw materials they acted as intermediaries between the industrialists and the central allocation boards, the government agencies in charge of distribution of materials. Their decisions were declared binding for the members of the particular industry. The Vichy Government also set up a corporative organization of the agricultural producers on local, regional, and national scales.

Of all occupied, but not incorporated countries, it was in the Netherlands that the participation of corporative business organizations in economic controls was developed to the highest degree, although it never went as far as in the Reich. All corporative organizations operated on the basis of the leadership principle. Leaders were appointed by the superior organization and German influence was exercised through control of the appointment of key men taken from the Dutch Nazi Party.

All Netherlands enterprises (except in agriculture) were organized by the Nazis into six main groups: industry, handicrafts, trade, banking, insurance, and transportation. Each of these main groups was divided into trade groups and subgroups, as well as into local divisions. A Council for Industrial Activity served as the top organization of the groups as well as of the regional chambers of commerce. Agriculture and fishing belonged to an organization called Landstand. The industrial groups took over many functions from the Netherlands Government agencies, especially the control over the distribution of raw materials.

In Belgium, manufacturers and dealers in industrial products had

to belong to corporative associations called groups. The groups covered industry and trade from the first processing of raw materials to the completion and retail sale of finished products. Main groups, trade groups, and subgroups were set up to represent the chief industries, their branches and subdivisions. The functions of the groups were mainly of an advisory nature and in this capacity the groups were employed by the native government agencies as well as the occupation authorities. Although sometimes executing orders which were entrusted to them by the authorities, the Belgian groups did not play a role in the control of industry comparable to that of the German industrial groups.

In Norway, the agricultural organizations were forcibly amalgamated into a national association led by Norwegian National Socialists. A corporative organization of industries, trade, and business was also set up. The leaders were appointed by and responsible to the government, but their functions were little more than of an advisory character.

4. Organization of German Agencies

The German agencies handling economic matters in the occupied countries of Western Europe can be divided into three categories: the economic branches of the German territorial authority; the branches of Reich agencies exercising economic controls; and the procurement and liaison agencies acting on behalf of the Reich.

a. Economic Branches of the Territorial Authority

As far as economic controls were concerned there was no basic difference in the organization of the agencies set up by the Germans in the territories under military government / and under civilian administration. The head of the economic section on the administrative staff of a military governor had responsibilities comparable to those of the Commissioner General for Finance and Economics in the Netherlands, or of the head of the Chief Economic Division in the Norwegian Reichskommissar's office. In accordance with the principle of indirect control, the German economic administration, military or civilian, was as a rule

organized so as to duplicate the higher brackets of the native administration, the heads of which were made responsible to the occupation authority. Close contact was established between the German officials and the native officials handling the same matters, usually by housing both in the same office building. German officials were appointed to control directly all agencies which had a strategic position in the regulation of the economic life of the country, e.g., the agencies distributing raw materials. Where semi-official national agencies, for example, the national bank of issue, were concerned, German advisors or commissioners were delegated to supervise their operations. The occupation authorities, furthermore, put German civilians in charge of enterprises owned by Jews, enemy aliens, and blacklisted nationals, and in some cases of enterprises engaged in production for German account. These commissioners were responsible to the German authority but had no civil service status.

In some respects German agencies assumed direct economic controls for example, control of transportation in France was handled by the economic section in the military governor's administrative staff, and foreign exchange and trade control by special Devisenschutzkommando units. Native personnel, however, was often used in subordinate positions.

The military governor of France organized in 1942 a special Supervisory Office (Uberwachungsstelle) to enforce compliance of German agencies and individuals with price controls and regulations restricting dealings in merchandise and to initiate prosecution of those who took part in black market operations.[1]

b. Branches of Reich Agencies

Although basically economic controls were exercised by the occupation authorities in accordance with general orders emanating from Berlin, a number of Reich agencies exercising economic controls were represented directly through field offices all over occupied Western Europe. Some of these field offices were independent

1. "Besondere Wirtschaftsanordnungen" (France), issues 37 and 48.

the local governor or commander, others were under the jurisdiction of the territorial authority, and their officials were attached to the staff of the governor or commander, although operating on behalf of the Reich agency.

To the first category belonged especially the Armament Inspectorates and Commands, and in France, their regional center, the War Economy and Armament Staff France (Wehrwirtschaft und Rüstungsstab), in 1943 renamed Armament and Procurement Staff (Rüstungs und Beschaffungs Stab). These agencies acted as liaison offices between the Reich agency to which they were subordinated (at first the Weapons Office in the Supreme Command of Armed Forces and after 1942 the Ministry for Armaments and War Production), the occupation authorities, and the native industry working for the German account. They also exercised direct control over industrial firms engaged in war production.

Another agency independent of the territorial authority was the German Armistice Commission, its control inspectorates, commissioners and field offices.

To the second category of field offices belonged (1) the representatives of the Delegate for the Four Year Plan. Göring appointed a special inspector for control of raw materials in France,[1] and established a branch of the Four Year Plan in Holland and similar branches in other territories. These delegates and heads of sub-branches were attached to the staff of the occupation authority, acting there as representatives of Göring; and (2) the Reichskreditkassen, which were also subject to the orders of the military commander in the field, although they were organized and directed by the main office attached to the Reichsbank in Berlin.

c. Procurement and Industrial Liaison Agencies

After the seizure of war booty had lost its initial importance, purchasing offices, missions, agents, etc., operating on behalf of

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1. Inspector zur Erfassung und Einsatz von Rohstoffen in Belgien und Frankreich (Sonderanordnungen of Military Governor in Belgium and Northern France No. 26 of 20 October 1940).

government agencies, industrial organizations, and private firms were the main instrument through which the Western European countries were exploited for the benefit of the German war machine and the civilian economy of the Reich. The makeshift character and the complexity of the economic control scheme of the Reich was reflected in the lack of effective coordination between the activities of the numerous Reich agencies and organizations which sent representatives on purchasing missions into France and the other occupied countries. Special agencies were set up in each of the major industrial countries to coordinate German procurement activities, but met with little success, as was indicated by various reports as well as by the establishment of new agencies with the same objectives. The following list of agencies operating in the field of purchasing in France might be considered as characteristic for the situation in the other Western European countries:

(1). The German Procurement Office in France was organized in September 1942 by the military governor's office and the Reich Ministry for Armaments and War Production to coordinate and supervise the activities of the German purchasing missions.

(2). The Central Order Agency, organized in 1940 as joint agency of the military governor and the War Economy and Armament Staff Paris, passed on all except the smaller contracts which German agencies or firms placed with French manufacturers.

(3). The Liaison Office France acted as information center for Franco-German business, superseding the former German Chamber of Commerce in Paris.

(4). Purchasing offices under various names were set up in France by the War Economy and Armament Staff France, later the Armament and Procurement Staff France (the French representative of the Speer Ministry), by the procurement division of the German Army, Navy and Air Force, and by the procurement office of the German Armed Forces. In addition, the military units and organizations

stationed in France operated their own procurement services, especially the Oberquartiermeister (Chief Quartermaster) France under the Oberquartiermeister West. The SS, the Order Police, the Organization Todt, the Reichsbahn, and the Reichspost also had procurement offices in France.

Another agency was the Zentra-Kraft Paris, the Central Field Office for Supplying Military Motor Vehicles in Occupied Territories, a branch of the OKH.[1]

Some of the economic czars operating under Hitler or under the Delegate for the Four Year Plan were represented in France through field offices doing procurement work: included were the General Commissioners for Motor Vehicles, for Chemical Production, and for Production of Machinery, and the Central Offices for Generators and for Power. Additional groups were the Main and Working Committees which organized the production of weapons; the corporative organizations of German industries interested in farming out contracts to French firms; the Reichsstellen which controlled the distribution of basic materials in the Reich. A liaison office was also established on behalf of the overall organization of the German economy. Finally, many German firms had local representatives in France operating on their behalf as purchasing agents or controlling French firms which manufactured the same product as the German patron firm.

5. Exploitation of Agriculture

German military units stationed in Western European countries were supplied from local food stocks and production as far as was considered expedient by the occupation authorities. In addition, most countries had to export foodstuffs to Germany in quantities requested by the Germans, sometimes in agreement with the native authorities, sometimes by unilateral order (Diktat). The degree to which the Germans reduced the standard of living of the native population depended on political and economic considerations and was

1. "Besondere Anordnungen fur die Versorgung," Supreme Commander West, No. 117, Paris, 9 March 1942.

thus subject to changes in the course of the war.

As a first step, the military commander of a German Army occupying a country issued a decree by which all agricultural products as well as cattle were subject to requisitioning for German account.[1] Considerable amounts of foodstuffs and cattle were immediately exported to Germany, or were confiscated for use by the occupying troops. In the later period, German demands were filled in a more systematic way with the help of native government agencies and farmer organizations. A food delivery and rationing system was put in operation, and German Army units or members purchased foodstuffs and needs in accordance with permits issued by military agencies.[2] German authorities exercised in most countries a great amount of control both in the central agencies and on the local level, and never relinquished the right to interfere directly and to cover their needs by requisitioning.[3]

In the office of the military governor or Reichskommissar, a large section was engaged in organizing the exploitation of agricultural resources of the particular country. The Reich Food Ministry delegated to this section its experts who, before the invasion, had studied the food position of the Western European countries. The section worked out a plan for deliveries of agricultural products to the German Army and for exports to Germany. The program was presented to the local authorities either directly or, in the case of Denmark, through diplomatic channels. Requests for deliveries from non-occupied France were presented through the Armistice Commission in Wiesbaden. Agricultural experts were also attached to such regional

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1. E.g. Decree of 20 May 1940, VBl-Belg., p.23.

2. VBl-France, Issue 30, 20 April 1941.

3. E.g. Decree of 27 May 1940 (Verordnungblatt of Military Governor in France, Issue 2, published 10 July 1940).

agencies of the German authority as the Kommandanturen in France. The regional agencies were notified by the central office as to the amounts of foodstuffs which they were to receive from the agricultural organizations, purchasing commissions, or producers in their district.[1] If the deliveries did not come up to the quota, the local commanders used direct pressure to secure compliance with the plan. The pressures included the allocation of seeds and plants dependent upon full delivery of quotas, or outright confiscation.

The German officials developed a program aiming at expansion of agricultural production. In France, the German agricultural leaders tried to organize the joint use of machinery and controlled deliveries of each farmer with the help of special accounts similar to the system used in the Reich. Farm lands in the "forbidden" zone (that is, out of bounds for non-military personnel) in Northwestern France were considered abandoned land and turned over for administration to the Reichsgesellschaft für Landbewirtschaftung (originally called Ostlandgesellschaft) attached to the military governor's office. This company had two million hectares under its management, but only a small part was cultivated directly, with the help of French and Eastern labor.[2] The greater part was turned over to French farmers controlled by the company. Large-scale farms were set up to make the use of machinery economical.

The native agricultural administration was as a rule expanded and supplemented by compulsory farmer, distributor, and processor organizations patterned after the German Food Estate (Reichsnahrstand). Official programs specified what crops were to be sown, ascertained the average yield and prescribed delivery quotas for each farmer. Regional and national marketing associations endorsed with the power to organize and supervise distribution and

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1. Decree of 21 August 1942 ("Besondere Wirtschaftsanordnungen") (France), issue 46.

2. Frankfurter Zeitung, 15 May 1943.

processing of foodstuffs operated in most countries. This control organization was in some countries initiated by the Germans, while in others it emanated from the native authorities, but the basic reason was always the pressure of German demands and requisitions which necessitated the husbanding of available resources. German requests for foodstuffs were translated by the central authorities into regional delivery programs, and regional delivery quotas were set up for each commodity, including cattle for slaughtering. The regional authorities established quotas for each farmer in their district. In many cases special supply contracts were drawn up between regional farmer organizations and the military procurement agencies; for example, supply of German troops in France with fresh vegetables and fruit was organized with the help of an association of farmers and dealers in such a way that individual suppliers were assigned to each German procurement agency. A similar procedure was used with respect to deep sea and coastal fishing; special permits were required for fishing vessels[1] and the German Army received a quota of each catch, part of which was used by the local garrison and the rest turned over to the army supply services.

The existence of over-all supply plans did not always protect the native farmers from indiscriminate requisitioning. At times confiscation of food stocks by local commanders or even individual soldiers reached such proportions that German supply programs were upset. Reserves had to be diverted to cover needs of Army units which were supposed to be fed from stocks requisitioned by others, and the Germans occasionally had to allocate their own stocks to feed the population. In Denmark, at one time, the Commander of the German Army threatened to court martial Army or Police units, or members of such units, who purchased cattle without permission of the Chief Quartermasters. The Danish Ministry of Agriculture notified all farmers of this decree and advised them to show the German

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1. Decree of 1 December 1941 (VBl-France, Issue 50).

text to German soldiers who sought to violate it.

In order to cope with the difficult supply situation resulting from German demands, native authorities established in all countries a more or less rigid food allocation system. German civilians residing in occupied countries, although subject to restrictions, received special rations equivalent to those distributed in the Reich and higher than the rations of the local population.

6. Exploitation of Industry

German control over industry in occupied territories in the West manifested itself in three ways:

a. Distribution of raw materials was directed by the Germans.

b. Industry worked to a very large extent for the account of Germany.

c. German business acquired ownership and financial controls over industrial enterprises, and German commissioners were appointed to many other plants, etc.

German control over raw material distribution, together with the control over labor supply, transportation facilities, and possibly credit facilities, was instrumental in forcing the industry of a country to devote most of its activities to working on German contracts. In this manner the immediate objectives of German control were achieved: the industrial population was kept at work (which was desirable for political reasons) and the production facilities of the defeated nations were exploited in favor of the German war effort. Penetration of German capital was rather a long range objective. Although considerable progress was made, there is evidence that German authorities refrained from pushing ahead very far in this direction, evidently because they feared that such a tendency would reduce the industrial product available for the Reich's war effort.

In order to secure a maximum contribution of the occupied countries in Western Europe in terms of industrial products, the

Germans had to compromise in various respects. In many cases they seem to have exercised considerable restraint in regard to the extent of their requests for specific goods. It was obvious that the production facilities of Western Europe could be utilized by the Germans only if the working population was more or less pacified. Consequently, a minimum of supplies was made available for civilian consumption and the upkeep of the plants and other installations. Contrary to the systematic evacuation of plant and materials during the last period of occupation, the Germans, in the beginning, had no intention of destroying industries which they considered would be useful for trade after the war. In a few cases they even assisted native industrialists in building new plants which fitted into their scheme of planned economy in continental Europe. The product of these plants was, of course, largely intended for German consumption and German industrialists exercised technical control and prepared for future acquisition of capital participation in the new plants.

a. Control over the Distribution of Raw Materials

(1). Control Agencies

Stocks of raw materials of strategic importance, such as non-ferrous metals, oil, or diamonds, were at once confiscated by the occupation armies or at least blocked. The stocks taken from public property were declared war booty, whereas private owners received compensation in the form of occupation money. To control the distribution of special raw materials, it was decreed[1] that these materials would be sequestrated by the German authorities, and a special license was required for their sale, purchase, or processing. This procedure was analogous to that applied in the Reich proper whenever a category of materials had been newly subjected to regimentation.

In Belgium, the sequestration decree was published by the military commander only ten days after the start of the hostilities.[2]

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1. E.g. Decree of 27 May 1940, VBl-France, issue 2.
2. Decree of 20 May 1940, VBl-Belg., p. 23.

Within a few days the Germans set up special agencies to direct the distribution of the sequestrated commodities. As soon as collaboration of the native administration was secured, however, the German commodity agencies were replaced in most respects by native offices, but for some materials the Germans kept direct control in their own hands. The German Military Commander was also the only authority entitled to license the closing down and expansion of existing enterprises or the foundation of new ones.[1] The native offices in Belgium were subordinated to the Belgian Minister of Economics as well as to the economic division in the office of the chief of military administration.[2] The commodity offices were organized by branches and territories. In the German administration a similar division by branches was carried through, in both the office of the military governor and the offices of the commanders of territorial subdivisions. For example, the economic division of the military administration branch of the Oberfeldkommandantur in Lille was divided into a number of sections dealing with specific commodities, corresponding to the sections in the military governor's office. The division covered, however, only those industries of importance in the Lille Region. Native offices and German agencies were often located in the same buildings.

The duplication of organization made it possible for the Germans to direct efficiently the distribution of industrial materials while all routine work was handled by the native agencies. Each commodity office was assisted by advisors and counselors, as well as by a committee staffed by representatives of the corporative trade associations of industry, handicrafts, etc. The commodity offices controlled the consumption of raw materials and directed the production and distribution of industrial goods through the issuance of licenses and the establishment of a system of priorities. These powers were used in accordance with the over-all plans set up by the German

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1. VBl-Belg. 1942, p. 67.
2. Decree of 5 November 1940 (VBl-Belg. No. 21).

authorities for the utilization of the industrial resources of each country. Consequently, raw materials were in the first place allocated for export to the Reich as well as for products manufactured for the German account. In many industrial branches the plants could release only a small part, if any, of their production for domestic consumption.

The organization of raw material controls in the other occupied countries in Western Europe differed from the Belgian set-up only in a few formal respects. In the Netherlands, for example, distribution of materials, handled at first by German agencies and later by native government offices, as in Belgium, was eventually transferred to the corporative industrial groups. The general principle of raw material control throughout Western Europe was that native agencies did the routine work in accordance with German instructions, the keymen being in close contact with officials of the military governor or Reich Commissioner.

The offices of the occupation authorities, however, had not the only say concerning the distribution of raw materials. The German Armament Inspectorates, which controlled industrial production for the German account, and the Central Order Offices, which coordinated German purchasing in occupied territories, were closely integrated with the economic sections of the German territorial administration. Consequently, these two agencies had direct influence upon the distribution of industrial materials. The numerous field offices of the organization of German industry, and the military procurement agencies, also tried to assist their suppliers in securing raw materials, fuel, labor, etc., necessary for production on their account.

In order to coordinate the activities of the chief German control agencies, the leading persons in one agency were appointed as heads of the office, with which they had to cooperate closely. Actually, however, the system did not work smoothly. A good deal of competition existed among the numerous German agencies controlling

or interested in the distribution of raw materials. Native industrialists often had the possibility of delaying the work on German orders by meticulously following the complicated procedure set up for securing raw materials and by playing off one agency against the other.

The share of the Armament Inspectorates and the subordinated Armament Commands and their field offices in the control of distribution of industrial materials became greater in the course of time, thus paralleling the increase of the powers of the Armament Ministry in the Reich. For example, in order to assure an adequate supply of coal for French industries working on German armament and war production orders, distribution of coal for industrial consumption was reorganized in France in the fall of 1942. A decree issued on 9 November 1942 stated specifically that the reorganization had been decided in agreement with the Armament Inspectorate France.[1] Each plant was allocated a coal quota established jointly by the interested industrial sections of the military governor's office and the Armament Inspectorate.

The Armament Inspectorates and their field offices allocated scarce materials to German Army units (e.g., leather for repairs).[2] They were delegated to inspect industrial plants and dealers' stockpiles to determine whether their excess metal stocks had been surrendered.[3] For this purpose, the Armament Inspectorates set up Special Commandos (Sonderkommandos) which operated in the name of the Feldkommandantur of the respective district.

(2). Integration of Distribution into Reich Production Plans

Industrial raw materials were distributed in each country in accordance with plans drawn up by the German agencies

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1. "Besondere Wirtschaftsanordnungen (France), issue 50.
2. Decree of 9 November 1940 ("Sonderanordnungen" of Military Governor in Belgium and Northern France, issue 28).
3. Decree of 1 August 1942 ("Besondere Wirtschaftsanordnungen" of Military Governor in France, issue 46).

operating there (the occupation authorities and the Armament Inspectorates) and integrated into German production plans by the Reich Ministry for Armaments and War Production and the other supreme Reich agencies in control of raw material distribution. Part of the raw materials produced in an occupied country was reserved for the German war program; the amount, in theory, corresponded to the total of purchasing permits which were issued by the German Central Order Office to the firms working on German orders. These purchasing permits were transformed by the native commodity control agencies into purchasing vouchers valid in the country. A German organization in placing an order with an industrial enterprise in an occupied country had either to supply the necessary raw materials directly or to secure for the manufacturer purchasing coupons from the Central Order Office. Official statements acknowledged that the greater part of the materials used in manufacturing for the German account was supplied from local sources.[1]

Raw material allocation in occupied countries was not only directed in accordance with the production plans which covered Germany and German-occupied territory, but in many cases the administrative machinery was integrated formally into the Reich system of allocation for the specific material. Iron and steel, for example, were distributed in occupied countries on the basis of iron certificates similar to those issued in the Reich. German importers of steel products from occupied countries had to surrender an iron purchase right (issued in the Reich) to the central order agency in the exporting country. The same procedure applied to dealings in steel between occupied countries. If manufacturers in occupied countries needed German steel to fill German orders, the local order agency issued to them an iron certificate which enabled them to buy steel from German works; if they needed German steel for domestic consumption, the iron certificate was issued by the office of the military governor or

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1. War Economy Counselor Beitzel in Nationalzeitung, 13 April 1943.

Reichskommissar which functioned as iron control agency. The Reich Commissioner for Iron and Steel was represented through field offices in all important centers of the steel industry, but these outposts did not participate directly in the control over steel distribution. An example of an industry in which distribution of raw material was handled by a German agency directly was the printing trade in France. The propaganda division in the military governor's office in France set up a special section to supervise French literary production, which among other functions also distributed printing paper.

In imitation of German regulations, native authorities issued numerous restrictions on the use of scarce materials and specified the composition of alloys and other materials used in production; such specifications were established by the native industrial organizations in cooperation with the occupation authorities and the interested Reich agencies.[1]

b. Industrial Production for the German Account

(1) The Objectives of Subcontracting

After draining the occupied countries of accumulated stocks of raw materials and industrial products, the Germans, faced with the prospect of a prolonged war, began to utilize local production facilities for their own account. They placed orders for delivery of civilian and military goods, supplying production materials necessary for their orders but not locally available. Through their control over raw materials and labor the occupation authorities exercised a strong pressure on industrialists and workers to comply with this program. The Germans bribed the native manufacturers by means of special allocation of materials, food, and labor and threatened to dismantle and confiscate unused machinery and to transfer unemployed labor into Germany. Since ample funds were available out

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1. E.g., for use of metal-alloys:
"Besondere Wirtschaftsanordnungen" of Military Governor in France, issue 46.

of the occupation levies and on clearing accounts they were able to pay favorable prices for goods manufactured under contracts for their account.

The combination of pressure and bribes, apart from genuine collaboration of some groups, was effective in inducing nearly all industrialists to accept German orders. Moreover, small producers often applied for German orders to keep their plants going. Resistance, as far as there was any, took the form of slowdowns, delays, waste of labor and materials, and similar actions. Such opposition reduced the contribution of the industries in occupied territories to the German war effort somewhat, but on the whole the German methods of industrial exploitation proved rather successful.

The placing of German orders in occupied countries was, however, in contradiction to the policy of transferring foreign labor to Germany. According to some reports a collision of interests developed early in 1944 between Albert Speer, the German Minister for Armaments and War Production, and Fritz Sauckel, the German Labor Minister, regarding the optimum use of French labor. Sauckel wanted to conscript more workers for employment in the Reich, and labor was also required for contruction work undertaken by the Army, Navy, and the Organization Todt. Speer, on the other hand, had, toward the end of 1943, agreed with Jean Bichelonne, the French Minister of Industrial Production, on a program of greater employment of French labor in French factories. A substantially increased program of French manufacture, both of war material and for German civilian requirements, was set up. Factories working for either the German account or general maintenance, although not on armaments, were given a privileged status with regard to labor and supplies of raw materials, fuel, and power, and their staffs were entitled to preferences in the matter of food and clothing. During the early months of 1944 this classification was extended to the larger power stations and gas works, coal, iron ore, and bauxite mines. In this way, a whole sector of French economy achieved a privileged status

and German labor recruiting was hampered.

According to German propaganda, the "shifting of orders" into occupied countries had two objectives: (a). to improve the social condition of the conquered people by giving them employment, without burden to the conqueror; (b). to expand the production facilities available for the German war effort. It was claimed by the Germans that they supplied raw materials and a market for the production of the industries in occupied countries, and that they rescued these countries from the economic morass into which the disruption of overseas trade due to British blockade had forced them. It was, however, often admitted that the occupied territories were in this way exploited, and the Germans tried to justify their action by reference to the community of interests of the European nations fighting bolshevism and similar slogans, and to the right of the German nation to employ all European resources in this struggle.

While it was true that German orders provided employment for plants and workers,the result of the scheme was exploitation of the occupied countries and alleviation of the war burden upon the German people. The argument that the Germans supplied raw materials necessary for the product ordered by them was valid only in a very restricted way. First, the Germans did not supply all materials. Second, they drained the occupied countries of the materials produced at home, which more than offset the importation of German materials. Third, they deprived the occupied countries of materials which they could have acquired in exchange for export goods sold to third parties, inasmuch as export proceeds were partly used for the German account and the countries were often prevented from expanding or keeping up their exports into countries other than Germany. Finally, the occupied countries had to bear the full burden of financing the cost of German orders in the form of occupation costs and advances on clearing accounts.

(2). The Central Order Offices

Shortly after occupation of the Western European countries, the Supreme Command of the Armed Forces and the Reich Ministry for Armaments and War Production issued orders to assure the systematic and full use of industrial facilities and raw materials in these territories in order to relieve the burden upon German armament production and thus increase the German war potential. This program consisted mainly in the placing of government contracts with industrial firms. At the same time German business agents were encouraged to visit manufacturers in occupied territories and place orders with them. Fairs were organized to bring German and foreign industrialists together and to propagate the use of German ersatz materials by foreign manufacturers.

To prevent mutual competition of German agencies and to give private firms in the Reich a better opportunity to participate in the scheme for shifting of orders to occupied Western countries, Central Order Offices (Zentralauftragstellen, abbrev. ZAST) were set up in France, Belgium,and the Netherlands by a decree signed by Göring as Delegate for the Four Year Plan of 26 August 1940.[1] Executive orders under this decree were issued by the Office for War Economy and Armaments in the Supreme Command of the Armed Forces and by the Ministry for Economics. The functions of these two agencies were later largely taken over by the Ministry for Armaments and War Production,which then exercised supreme control over the Central Order Offices.

The Central Order Offices were organized in the following way:

In the Netherlands, the Central Order Office was attached to the Reichskommissar's office and acted as a joint agency with and under the orders of the Commissioner General for Finance and Economics and of the chief of the Armament Inspectorate.

In France, the Central Order Office was organized in a similar way, except that the War Economy and Armament Staff took the

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1. Kommentar zur Reichsverteidigung, part IV, chapter: "Auftragsverlagerung" (Berlin, 1942).

place of the Armament Inspectorate.

In Norway, the functions of a Central Order Office were taken over by the Reichskommissar's office; in Serbia, by the General Commissioner for Economy; in Denmark, by the War Economy Staff.

The manager of a Central Order Office was appointed by the Office for War Economy and Armaments of the Supreme Command of the Armed Forces; the vice manager was appointed by the Ministry for Economics. The offices were staffed by personnel delegated by the economic division of the chief of the civil or military administration and the Armament Inspectorate. The Central Order Offices did not have a large staff but used the services of the two superior agencies as well as of the corporative organizations of industry in their territory; in addition, industrial experts were delegated by German firms to assist the Offices.

The task of the Central Order Offices was defined as coordination of the purchasing activities **undertaken in the Western occupied territories** by German Government agencies, including military procurement offices and private firms. Information as to the control methods applied by the Order Offices was passed by the German High Command (economic branch) to the German Army units and organizations; by a joint letter of the High Command and the Minister of Economics to the Reich Ministers and supreme Reich agencies interested in transfer of orders; and by the Reichsgruppen, that is trade associations, to German business firms.[1]

As "order" was considered any contract for the production of semi-manufactured or finished goods, or for the purchase of any merchandise. German agencies and firms were obliged to report to the Central Order Office all projected contracts the value of which exceeded 5000 RM.

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1. Decree and letter of 7 November 1941 ("Besondere Wirtschaftsanordnungen" of Military Governor in France, Issue No. 36).

For orders placed without notification to the Office, no raw materials, labor, fuel, etc., were to be allocated by the respective control agencies, either German nor native. Each Order Office kept a record of the technical facilities in its territory and licensed projects considered practicable. Orders for the supply of the Armed Forces were, of course, given preference.

In addition to securing a license from the Central Order Office, it was also necessary in some production lines to request a permit for subcontracting from the respective Reichsstellen. Army orders for textile goods were subcontracted only with the permission of the Army procurement agency and of a sale organization of the German textile industry. The Central Order Office assisted the subcontractors in securing the raw materials needed for production. For materials which he did not supply from the Reich, the German contractor had to surrender his purchase certificates to the Order Office. Prices were not controlled by the Central Order Offices but were subject to the regulations issued by the local authorities for the subcontractor, and by the Reich Commissioner for the German importer. Goods manufactured in occupied territories for the German account were declared free of duty on importation, and a simplified procedure was set up for licensing the exportation of raw materials and semimanufactured goods or component parts needed in such production.

The Central Order Offices were a powerful tool in the exploitation of occupied territories. While they had no control powers over local industry, their close coordination with the occupation authorities enabled them to influence labor supply and raw material distribution in a specific trade and to place pressure upon non-cooperating firms. By means of the Central Order Offices the Reich agencies controlling production (that is, the Ministry for Armaments and War Production) collaborated through the Armament Inspectorates directly with the occupation authorities, and the industrial policies

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1. Frankfurter Zeitung, 13 May 1941.

of these two agencies were coordinated on the local level.

(3). Technique of Purchasing

In the beginning, German firms were evidently not too anxious to farm out government contracts to occupied territories because they feared increased competition. When it was decided to expand armament production in the Reich and release of workers from other branches of industry became necessary, the German authorities tried to induce German firms to transfer orders for non-armament goods into occupied territories. The firms were promised that the orders farmed out would still be considered their own contracts and that later on they would have the possibility of resuming production in their own plants. It was also arranged that they would be given an opportunity to acquire participations in the Western European firms which took over their contracts; this device was part of the program aiming at penetration of foreign industries by German capital, a program which officially was called "interlacing of capital" (Kapitalverflechtung).[1]

The Central Order Offices examined on their own the possibilities of placing orders with firms in their territory which would manufacture products needed in Germany, using materials supplied from Germany but requiring a minimum of additional machinery. When the transfer of orders for specific products was found possible, the German producers in the same line were advised by their trade organization that the government planned to have them discontinue their production and they were authorized to shift their contracts into occupied territories with the help of the Central Order Offices; in case of non-compliance with this suggestion, revocation of the respective raw material quota was threatened. In such case, the quota would be transferred to a wholesale firm which would be

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1. Decrees on transfer of orders (Kommentar fur Reichsverteidigung, Part IV).

authorized to place a manufacturing contract in occupied territory. The result would be permanent loss of business by the non-complying firm.

German firms entered into negotiations with foreign producers either directly, or requested assistance in finding a suitable partner from their industrial organization, their local Armament Inspectorates, or from the Armament Inspectorate in the occupied territory. A number of German organizations and offices cooperated and often competed in placing orders among industrial firms and in purchasing materials and goods in occupied countries in the West. In the first place, the procurement divisions of the German Armed Forces and their various branches and attached organizations (OT) operated directly or through agencies set up with the help of the big German firms which specialized in manufacturing certain armament goods. Second, the main committees and working committees responsible for armament production, as well as the Rüstungskontor of the Speer Ministry, had representatives in the occupied countries, who organized the subcontracting for the accounts of armament producers. Third, some of the Reichsstellen which regulated distribution of goods in the Reich set up purchasing offices for their specific needs. Fourth, many group organizations of German industry sent agents to occupied countries to assist their member firms in placing production orders there. Finally, the leading German industrial firms set up branch offices of their own.

These various agents sometimes coordinated their efforts and set up joint organizations for the transfer of orders (Verlagerungsgemeinschaften), but in many cases they competed among themselves for specific deliveries. To prevent competition of German business firms for manufactured goods on the French market, the Reich Ministry for Economics restricted the number of foreign trading firms authorized to purchase such goods in France and ordered them

to form a purchasing ring so that their activities would be better coordinated and controlled.[1] This restriction did not apply to public procurement. There are detailed reports describing how German military agencies searching the occupied countries for certain badly needed materials operated on the black market and competed there with other German agents. In a specific case purchases of rare materials were made by a special delegate of the German Air Ministry and the necessary funds for the illegal operations were supplied by the Commanders of Air Force units stationed in France, who for that purpose squeezed two billion francs out of their share in the occupation costs paid by the French Government.

(4). Role of German and Native Firms.

The direct participation of German big business in the exploitation of the Western countries probably reached proportions just as high as in the East. German firms delegated engineers and other specialists to assist the German agencies in organizing production for the German account. Representative of the big industrial firms inspected the plants of the corresponding industries in occupied countries and submitted proposals to the German Army and other government agencies as to the best way of utilizing these production facilities. Some firms established special bureaus in Paris or other centers which organized the production of parts and accessories for armament articles manufactured by German plants. Such bureaus operated under the Army procurement services and placed for their account orders with native manufacturers and supervised the execution. They were responsible for the adequate supply of the means of production to the plants, delegated German engineers to the production centers as technical advisors, and provided plans, drawings, and operational schemes to the manufacturers. The production programs of the German firms were integrated

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1. Völkischer Beobachter, 4 January 1944.

with those of the foreign subcontractors and both worked closely together. German firms, called either patron firms (Patenfirmen) or managing firms (Leitfirmen) often took direct control of the foreign plants. For financial participation, see chapter c-3.

In certain branches of industrial production German firms acting on behalf of the government took over control of all native factories. For example, the Vereinigte Deutsche Metallwerke (VDM) controlled the entire French airplane propeller production. In 1940 the Germans requisitioned French factories, used them for repairs and later for new production. The VDM set up an office in Paris to operate these plants. On the governmental side, there were two German agencies directly involved: a Special Committee of the Main Committee for Aero Engines directed new production; the Air Force Repair Office (Luftzeugamt) directed the repair service. These agencies often clashed over the problem of using available capacity.

Although subcontracting for the German account was in principle to take place in occupied territory only, German purchasing was extended in 1941 into the unoccupied French Zone.[1] Some French firms in the non-occupied part of France even received permits from the Vichy government to manufacture there war material for the German Army.[1] Such orders were always placed by German firms, not governmental agencies. Subcontracting of German orders was a source of easy profits for many people. Collaborationist firms often handled an amount of business much in excess of what was in line with their own financial facilities. They received big advance payments from the German agencies for whom they worked as purchasing agents.

In addition to working on German contracts some French firms, according to reliable evidence, carried out research work for the German armament industry, especially in the field of aircraft production.

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1. Pariser Zeitung, 3 October 1941.

The following examples based on reliable reports illustrate the exploitation of a few industries in France and Belgium, and the part played by German business firms and organizations. These reports can be accepted as characteristic for the situation in Western European industries under German domination.

(a). A large Belgian plant manufacturing staple fiber out of wood pulp was erected and put into operation by Franco-Belgian industrialists after the occupation of the country. The workers employed there were relieved by the German authorities from the industrial conscription. The German Zellwolle und Kunstseide Ring (synthetic wool and rayon combine) advanced large credits to the Belgian firm, but did not acquire a participation in its capital because in this event unrest among workers would have resulted. The German group, however, supplied most of the machinery as well as all the wood pulp used in the manufacturing process, collected royalties for patents, and bought the product of the plant, all at prices highly advantageous to the German business firms participating. The business volume of the plant was regulated by orders of the central textile office in Brussels; the staple fiber produced was woven into cloth by Belgian cotton plants, and the cloth for the largest part taken over by the Germans. (The Zellwolle und Kunstseide Ring was formed by twelve firms of the German artifical fiber and rayon industry to act as a trust for the furtherance of mutual interests, particularly the acquisition of control of the French and Belgian synthetic wool and rayon industries. It was dominated by the Phrix group, noted for its Nazi affiliation.)[1]

(b). The French coal tar industry was organized into the Comptoir Français de l'Azote. Orders for coal tar products, especially for the war-important toluol, were forwarded to the French cartel by officials of the economic branches of the occupation authorities, as well as by delegates of the organization of the German mineral oil industry. An agreement between the two parties specified

1. OSS CID No. 106904.

how much the Germans should get of each article produced in France. Germany supplied in exchange other articles of the same class of merchandise. The goods acquired by the Germans were delivered partly to the Armed Forces, partly to the French road administration, and partly to French factories working for the German account; the balance was shipped to the German cartel of tar manufacturers, which had a monopoly over the distribution of such goods in the Reich.[1]

(c). French alcohol was delivered into the Reich and for the German account to Belgian plants for the manufacture of powder, chemical products, liquors, and fortified wines. The purchaser was the Reich Alcohol Monopoly Administration; its representative in Paris made agreements with the French alcohol administration according to which part of the French deliveries was compensated for by German deliveries of gasoline and sugar. The sugar was not, however, supplied from German stocks but the Germans permitted sugar manufactured in Northern France to be shipped for consumption in the other French territory.

(d). French supplies of wine and spirits for use of the German Army and for export to the Reich were principally limited to quantities determined by the German authorities and requested of the French Food Administrator. As a rule it was possible for the French authorities to eliminate independent purchases by German military officials or private trade.

c. Direct Control of Industrial Enterprises

In addition to assuming control over the administrative machinery directing native industry, the Germans exercised direct influence on the more important enterprises. German agencies acted as sponsors, German commissioners were appointed to manage or supervise certain enterprises, and German business firms acquired participations or entered into working agreements with native firms.

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1. OSS CID No. 106910.
2. OSS CID No. 106909.

(1). Sponsorship of Industrial Enterprises

Similar to the practice in the Reich, the Germans established in Western Europe a system of sponsorship for each important industrial enterprise. This was called "Betreuung," and its objective was first to secure that the production facilities were kept in good condition, and second, to supervise manufacturing for German account. The sponsorship of plants (Betriebsbetreuung) was the duty of the Feldkommandanturen, as far as producers of raw materials and public utilities were concerned, and of the Armament Commands in regard to processing industries. The enterprises sponsored were selected by these agencies and then declared as protected (V-plants in the first group, which stands for Versorgungsbetriebe (utilities), and W-Plants in the second group, standing for Wehrwirtschaftsbetriebe or war production plants). The sponsorship of German orders (Auftragsbetreuung) was in the hands of the Armament Commands, which had to ask the Feldkommandanturen for assistance and issue of the necessary directives if the German contract which they supervised involved the production of raw materials in a V-plant.[1] As for patronizing by individuals German firms see E.6.b. (4).

(2). German Trustees and Commissioners

A favorite German method of gaining control over important industrial and business enterprises was to appoint commissioners who would administer the property as trustees. After invading a country, the Germans issued a decree (Geschäftsführungsverordnung) ordering the managers of all enterprises in occupied territory to keep the plants in operation.[1] The military commanders or their appointed delegates were authorized to appoint trustee administrators (kommissarische Verwalter) for enterprises without proper management and in instances in which the regular management

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1. E.g., decree of 20 May 1940. VBl-France, Issue No. 1.

was, for any reason, not considered eligible. This formula covered the appointment of commissioners for enterprises whose managers or owners were absent, Jewish, of Allied nationality, or blacklisted because they were considered inimical to the Nazis. Special delegates were also appointed to control factories which the Germans declared of importance to their war effort. In the Netherlands, the German authorities assumed the right to appoint one or several directors to the board of such firms. These German appointees were responsible to the German armament commission. Applicants for commissioner's jobs were usually passed on by the German Chamber of Commerce in the respective country; selections were made from Germans residing in the particular country, natives with Nazi affiliations (especially in the Netherlands), or experts delegated from the Reich. Their duties often consisted only in a general supervision of the enterprise, especially in matters of personnel and of business relations with German agencies and firms; they were responsible for the execution of orders and increase of production. In other words, they acted as watchdogs to assure compliance of the native management with German instructions but as a rule did not assume the responsibility of management. However, German managerial and technical personnel, apart from keeping close control of the important industrial firms in occupied countries, acquired in this way detailed knowledge of their business and trade secrets, organization plans, production schemes, etc.

(3). Economic Penetration by German Firms

In the territories either annexed by the Reich or prepared for annexation, especially in Alsace, Lorraine, and Luxenbourg, nearly all industrial plants of importance were taken over by German business firms by purchase and merger or, at least, for temporary control and operation pending later acquisition. In order to have a legal instrument for assuming control, the German authorities placed property of Frenchmen, Jews, and Allied nationals in Alsace-Lorraine under German trusteeship, with the explanation that they were "enemies of

the German people." Commissioners were appointed by the chief of the civilian administration acting as "general trustee for enemy property."[1]

The steel works of the Moselle district, which with the exception of the De Wendel plants had originally been set up by German capital, were from 1940 until approximately 1943 operated by German combines for their own account.[2] Later they were reorganized as German corporations and the shares taken in custody by the German combines and trustees. The plants were operated by German metallurgical firms, principally the Flick, Klöckner, Göring, and Röchling combines, which assumed financial responsibility and retained all profits with the ultimate aim of completely acquiring the works at the end of the war.

German industrial firms took over many of the engineering works located in the Maginot Line and evacuated by order of the French Government after the outbreak of the war. They installed their own plants, setting up either large repair shops (e.g. Junkers) or complete factories (Bosch). Later on, bombed-out plants from the Reich were evacuated into the annexed territories, especially into the idle textile factories of Alsace.

The potash industry in Alsace, which had been a French state monopoly, was taken over by a subsidiary of Preussag, the Prussian mining combine. Many of the smaller privately owned enterprises were "Germanized" by way of mergers and agreements between the local owners and German firms.

In the Belgian and French territories, occupied but neither annexed nor prepared for annexation, transfer of ownership into German hands was rather the exception. A number of German firms set up branches in France, Belgium, and other occupied countries, and were subject to special regulations; for example, they were exempt from foreign taxation (apart from taxes levied at the source).[3]

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1. Bodensee Rundschau, 27 December 1944.
2. Neues Wiener Tagblatt, 25 May 1941.
3. Deutsche Wirtschaftszeitung, 18 January 1943.

There is little evidence available which would indicate that German business acquired significant capital interest in industrial firms in these countries. This conclusion does not rule out the possibility of penetration by undisclosed purchases of shares or participations, but it is certain that Germany refrained from an agressive penetration policy, because retention of native controls bribed or forced into collaboration secured better results than could be otherwise expected. The actual policy was thus in contradiction with a decree issued by Göring in 1940[1] in which he ordered that German firms passing sub-contracts to manufacturers in occupied territories in the West should be given the opportunity of acquiring interest in the plants which took over their orders.

In France and Belgium, German business penetration took the form of association in the form of cooperation agreements, etc., rather than of share purchase. Leading firms of the Belgian and French steel industry, with large interest in the Luxembourg steel industry, established working agreements with German steel makers. The outstanding examples of German penetration by share purchase in France are provided by the dyestuff and rayon combines, established during occupation. In both cases German combines gave the French firms the promise of technical collaboration, which in these particular industries would be considered very valuable and would have justified, even in peace-time, the transfer of shares to the Germans. The IG Farben acquired in exchange for its own stock a controlling interest in the Francolor, established in 1941 to concentrate the French dyestuff industry. This penetration was to some extent the outcome of the former collaboration between the French and German industries in the form of an international dyestuff cartel to which the British also adhered. The terms of the transaction were specified by an agreement between the French and the German Governments. The Zellwolle und

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1. Decree of 7 October 1940 on transfer of orders (Auftragsverlagerung) quoted in Kommentar zur Wirtschaftsgesetzgebung, loc. cit.

Kunstseide Ring acquired a minority participation in France Rayonne, which was formed to exploit in France patents (mostly of German orgin) covering the manufacture of synthetic fibers.

In Belgium German industrial control, both through supervision and working agreements, went much farther than in France, but it stopped short, nevertheless, of large-scale participation by way of share ownership. Among the few exceptions that may be cited was the increased participation of IG Farben in Solvay & Cie, the Belgian chemical trust, with which the Germans had always had the closest association, covering a wide range of chemicals. In the rayon industry the German Zellwolle und Kunstseide Ring promoted the establishment of a big, new fiber plant; although the German combine entered into close association with the Belgian firm no stock was acquired.[1]

German penetration in the form of participation of capital in native firms reached a higher degree in the Netherlands than in the other occupied countries. The abolition of exchange barriers between Germany and the Netherlands favored the acquisition of Dutch shares by German investors. In various instances Dutch firms were forced to increase their capital stock and to sell the new shares to German groups. In this way the German steel trust acquired control of the steelworks at Ijmuiden, and the Vereinigte Glanzstoffwerke secured control of the AKU combine.

(4). German-dominated Cartels

International cartel agreements had been a favorite instrument of German business penetration into foreign countries before the war. When the major industrial countries of Western Europe came under German political and economic control as a consequence of the occupation, German business became very active in confirming and reestablishing old cartel agreements and setting up new ones. One of the German business leaders advocated universal European cartels as instruments of government control of business, which would decide on the location of industrial plants, distribution of

1. See D,6,b, (4).

orders, prices of products, etc. In view of the dominating position of German industry such cartels would have been a valuable instrument for extending German control over foreign industries even after withdrawal of German troops.

At one time there were indications of a German scheme to link the European rubber industry, into one association for the purposes of technical development, standardization of products, and raw material control. The Fachgruppe Kautschukindustrie, official association of the German rubber industry invited the representatives of the German, Austrian, French, and Italian rubber industries to meet in Heidelberg in April 1943. In the meeting much controversy developed as to the objectives of the planned association. The Germans and Italians wished to limit it to standardization and technical problems, while the French wanted to include questions of raw materials. It was decided that the association should have three objects; first, to study the technical and commercial problems connected with the manufacture and utilization of finished rubber products; second, to work out plans for rational utilization of natural rubber and of European-made synthetic rubber, and for standardization of raw materials and finished products; third, to recommend certain plans which would be put into effect in agreement with the governments concerned. After obtaining the agreement of the interested governments the newly created Association for Cooperation in the Field of Rubber, which included representatives of both industry and the administrative services, met again. German representatives were elected to the posts of president, chairman, and secretary to alternate after two years with the other nations. Four committees were set up to study the major problems, but no further results were achieved and no later meetings took place.

Another German scheme involving the European automobile industry also came into operation for a time. Colonel Thoenissen, leading man in the office of the General Inspector for Motor Vehicles, joined with

the leaders of the European automobile industry to work out a policy acceptable to all countries. He employed a representative in Paris who acted as go-between for the occupation authorities and the native industry and tried to establish good will and further cooperation. In 1941, the leading automobile manufacturers of France, Italy, and Germany obtained permission to set up a civilian agency for coordination of the European automobile trade and transportation called "Preparatory Committee for Cooperation of the European Automobile Industry." The committee studied standarization of parts, unification of traffic laws, sales and service management. In the spring of 1943, however, the committee was dissolved by Speer.

7. Price Control

The jurisdiction of the Reich Commissioner for Prices under the Delegate for the Four Year Plan extended neither directly nor indirectly into occupied territories. All German occupation authorities, however, uniformly followed a policy of indirect price control aiming at price stabilization, which indicated that the general principles had been set up by the central Reich authorities.

In most Western European countries German military authorities, shortly after occupation of the territory, decreed a general price freeze both for local transactions and for sales to the Germans. This step was considered only an emergency measure and the native administration was soon made responsible for price control. The Germans thus sought to avoid assuming direct responsibility for unpopular measures and their enforcement, which proved very difficult. The decisive powers, though, remained in the hands of the German authorities; their supervision over local price control agencies was so strict that price decrees could be published only with approval of the corresponding branch in the Reichkommissar's or military governor's offices. These branches were well staffed and consisted of numerous sections engaged in supervising local authorities and assisting them

in the organization of the control machinery, advising them as to methods of price fixing, industrial cost accounting, and other matters related to price regulation, and at times interfering directly.

The native organization of price control varied from country to country. A special control administration was set up in Denmark and Norway; in Belgium controls were in the hands of the ministries which supervised the various branches of national economy; in the Netherlands and in France, there was a supreme price authority which directed the activities of the ministries and of the subordinated corporative organizations engaged in price control activities. The methods applied by these agencies were similar to those used in Germany, consisting of general price and wage freeze, registration and official control of prices of goods and services, authorization of price increases if warranted by higher costs, and public prosecution of black market operators.

Prices for goods exported to Germany were subject to the same rulings as domestic sales. If a price higher than that prevailing in 1940 had been authorized by the native administration with consent of the Germans, it was valid notwithstanding the price freeze order of the military commander, which was still considered to be in force. The German importers, on the other hand, were obliged to comply with the price regulations covering sales inside the Reich; to bring prices of goods imported from occupied Western territories to the level of domestic products the Reichsstellen (agencies controlling distribution of goods in the Reich) were authorized to arrange for subsidies to be paid to importers of high-priced goods.

As inflation developed in Western Europe, there was a strong pressure on prices of products manufactured for the German account. In May 1944 the German authorities issued special price regulations for contracts placed with manufacturers in Belgium and France. The German buyers were requested to observe price regulations and to

abstain from offering excessive or black market prices even in case of urgent need. If native manufacturers refused to take the order at official prices, the German buyers were to ask the price control service of the occupation authority to intervene. In any case, however, the Central Order Offices checked on the prices before authorizing a contract. The German agencies subjected the production cost accounts of the contracting firms to close scrutiny, using German cost accounting procedures and experiences. Unjustified prices were reduced and manufacturers who refused to sign contracts at prices considered adequate by the Germans were forced to do so.

From the German point of view, stability of the over-all price level was an important element in their program of exploiting native agricultural and industrial resources. A general price inflation would have increased the cost of merchandise purchased by them, and, eventually, destroyed the value of the money which they received on account of occupation costs and in the form of advances from the local banks of issue; it would have disrupted the economic life of the occupied countries and reduced their production volume to the detriment of the exploiting Reich. It also would have caused serious social troubles and thus increased the political difficulties encountered by the Germans.

Expansion of currency circulation and deposits was, however, a necessary result of German exploitation. The reduced volume of goods available for domestic consumption and the liberal use of native money by the Germans in payment for goods and services requested caused a strong upward pressure on the price level. German agencies purchased available goods and placed production orders with native industries at prices

profitable for farmers and manufacturers and even favored wage increase for workers employed for the German account. In this way German exploitation proceeded more smoothly than if price and wage controls had been applied rigidly. German agents even participated actively in the black market trying to buy goods and materials which the Reich needed for war production. The extent of these activities was reflected by the establishment in 1942, by the military governor of France, of a Supervisory Office ("Überwachungsstelle") to enforce compliance of German agencies and individuals with price regulations and controls of distribution of goods. 1/ The German agencies operating in France were asked to obey orders prohibiting participation in black market transactions issued by the Delegate for the Four Year Plan, the Army and SS authorities, and the supreme Reich authorities. This decree proves that German practices counteracted official policies and made them partly unenforceable. At the same time, native authorities did not wholeheartedly apply price controls enacted upon German request, and public co-operation was also lacking. Black market operations were considered a good means of sabotaging German economic policies. As a result of these various forces and elements, price controls were not enforced in any occupied country in the West with the same effectiveness as in the Reich; official prices, consequently, steadily rose and illicit operations became frequent.

In March 1944, the rising price tendency in France and other occupied countries threatened to become so dangerous to the social peace which the Germans considered a sine qua non for successful exploitation, that the German Institute for Economic Research, Paris branch, decided to submit to the interested agencies a scheme

1/ Besondere Wirtschaftsanordnungen, issues 37 and 48.

for securing price and wage stability in occupied territories. It was stated that in the interest of the German war economy native labor should be satisfied and its further exploitation through rising prices prevented. The plan advocated introduction of special legislation, the basic idea of which was to reduce all prices to the level of 25 June 1940 (date of Franco-German armistice) and to establish wage and salary rates accordingly, so that a decent standard of living would be secured for workers and salaried employees. In all instances in which production costs had so increased over the 1940 level that manufacturers were operating at a loss, a subsidy was to be paid out of an equalization fund; there was, however, no mention how the payments were to be financed, or how to cope with the enormously expanded currency circulation or any other of the basic factors causing prices to rise. The plan was not followed up by any action on the part of the occupation authorities.

8. Financial Controls

Chief objective of German control in the financial field was to facilitate an extensive exploitation of the economic resources of the occupied countries in the interest of the German war effort. A secondary objective was to bring the native currencies and credit systems into the orbit of the Reichsmark and German banking as step toward the post-war plan of an economically unified continental Europe under German leadership.

Although there was a certain amount of outright looting and confiscation of public property as war booty, German economic exploitation of Western countries, for the most part, took the form of purchases of goods and services in accordance with the formalities of civil law. Financial controls were the instrument by which these purchases

were turned into exploitation. The levies and credits exacted by the Germans formed the counterpart in terms of money of the use of native capacities by the Germans. In addition, the Germans took over gold, foreign exchange, and securities the total of which was much lower than that of goods and services received.

German financial controls covered the fields of currency issue, banking, public finance, foreign trade, and exchange. This control was exercised through supervision and direction of native agencies as long as German orders were obeyed and German demands satisfied. Only transactions across the frontier in goods and exchange were controlled directly by the occupation authorities.

a. Currency

(1) Reich Currency

It was a principle of German financial policy to abstain from introducing regular German currency into occupied countries, except, of course, the territories incorporated into the Reich and the Protectorate of Bohemia and Moravia, which formed part of the Greater German Reich. In this way the Germans prevented the use of Reichsmark circulation in foreign countries and its expansion by such use. Moreover, they prevented the filtering back of currency into the Reich, which would have constituted a drain on the German economy. There were, however, two exceptions to this policy. In Belgium, regular German currency was made legal tender following the invasion but eight days later this measure was revoked. In the Netherlands, Reichsmark currency was made legal tender and remained so as long as the Germans stayed. The Netherlands, which thus formed a currency union with Germany, was intended to be the first unit in a German-dominated customs and currency union covering most of

continental Europe. Both in the Netherlands and in the Protectorate, however, native currency remained in circulation and Reichsmark bills usually found their way to the central bank,which was forced to exchange them for its own issue.

Restrictions on German-Dutch payments were re-established in the fall of 1943, when capital flight from the Reich to the Netherlands,especially in form of currency transfers, had reached alarming proportions. Indeed,Ducth holdings of German money increased so much that the German occupation authorities had to prohibit free exchange of Reichsmarks into guilders. This development marked the end of the ambitious German plan to make the Reichsmark an international currency. In the field of clearing of international payments, moreover, the inherent weakness of the Reichsmark had become evident even earlier. 1/

(2) Occupation Currency

Exchange restrictions were imposed for the traffic between Germany and occupied territories and the use of German currency by the Army outside of the Reich was forbidden. A special mark currency called Reichskreditkassenscheine (in the following abbreviated RKK notes) was issued by the pay offices of the German Army to supply advancing German troops with money to pay for requisitioned supplies and for purchases of individual soldiers. In nearly every invaded country the Germans set up Reichskreditkassen which issued this occupation currency to the Army.2/ As soon as regular note issue facilitie were re-established and available to the Germans, the Reichskreditkassen were closed and their notes withdrawn from circulation. Among the western countries they remained in circulation only on the Channel Islands.

RKK notes were made legal tender by military decree in addition to the local currency. This decree was not

1/ See below E 8, b 5.
2/ VBl-France, issue 1 of 18 May 1940.

revoked when the notes were withdrawn, so that legally the occupation currency was still valid tender and re-issue was possible at any time without new legislation.

The military decree set up a fixed rate of exchange between occupation money and national currency. Every person was obliged to accept the German-issued currency at this rate and the banks were obliged to exchange it against money of domestic issue. Occupation currency was not negotiable in Germany, but German soldiers could exchange it at par into German currency when they entered the Reich.

After withdrawal from general circulation, RKK notes were used in occupied territories (other than some Russian territories and the Channel Islands) only as means for international payments of military personnel. Soldiers traveling in units or individually carried this currency from and into occupied countries and exchanged it into local money at their new destination or en route. The exchange was possible because the RKK notes were legal tender wherever German troops went outside of the Greater Reich. Speculators, both soldiers and civilians, used this exchangeability of the notes to profit from the great disparities in prices and exchange rates between the various occupied countries. As the notes thus became a means of international black market dealings, the German authorities found it necessary to apply numerous restrictions on the import, export, and exchange of Reichskreditkassenscheine whether held by civilians or soldiers.

(3) Military Transfer Checks

The regulations covering exchange transactions of the Armed Forces were reformulated in a decree of the Supreme Command of the Armed Forces (OKW) of 13 October 1944. Reichskreditkassenscheine ceased to be used as international

currency of the Army as of 1 January 1945. They were replaced in this respect by the military transfer checks (Verrechnungsschein für die deutsche Wehrmacht) issued in denominations of 1, 5, 10, and 50 Reichsmark. 1/ The transfer check was comparable to a civilian traveler's check and was neither legal tender nor negotiable by civilians. Soldiers transferred from one country to another received transfer checks for the whole amount of their cash. Only a small amount of money was issued to them in local currency or in Reichskreditkassenscheine to cover their expenses during traveling. After arrival in the country of destination the transfer checks were convertable into the local currency, up to a maximum fixed by special order, or the amount could be transferred by the holder into the Reich.

(4) Canteen Money

A special type of money called military auxiliary or canteen money (Truppen- or Wehrmacht- Behelfsgeld) was used for disbursement of soldiers' pay in countries in which local purchases of the German military personnel were restricted for political reasons (especially in the satellite countries in the Balkans) or because of the over-all shortage of goods and the danger of general inflation (e.g., in Greece). The canteen money was issued in denominations of 1, 5, 10, and 50 pfennigs and was accepted for payment at ten times its face value in post exchanges, canteens, soldiers' homes, etc., and for remittances to Germany. 2/ When used for payments to the local population it retained only its nominal value. In this way the soldiers were induced to abstain from interfering with the flow of goods in local civilian markets. As of 1 January 1945,

1/ Neues Wiener Tageblatt, 20 December 1944.
2/ Die Bank (Berlin), 14 October 1942.

canteen money was replaced by the military transfer checks (see section 3 above) which were accepted in canteens and similar military establishments insofar as the goods sold there came from German supplies.

(5) Native Currency

The German objectives with regard to currency in occupied countries were twofold: first, to receive enough money to pay for all goods and services which the country was able to supply for the German account; and, second, to prevent an inflationary expansion of the total circulation which would have threatened this exploitation. The native authorities preferred to supply the Germans with adequate quantities of national currency in order to prevent occupation currency being put into circulation. In this manner they sought to exercise some degree of control over the total issue of money. The Germans, on the other hand, preferred such an agreement because it facilitated the exploitation of the country. The legal form of transfers of native currency to the German authorities was either through the payment of occupation costs by the native government, financed largely by central bank credit, or, in the case of Denmark and Norway, through advances of the local bank of issue directly to the Germans. The financing of German military expenses resulted in all countries in an expansion of the note circulation accentuated by the simultaneous financing of exports to Germany through central bank credit.

Circulation of currency in occupied countries of Western Europe is indicated in the following table:

	June 1939	May 1944
	(in millions of national currency)	
France	122,611 (francs)	546,726
Belgium	22,212 (francs)	90,921
Holland	998 (guilders)	4,211
Denmark	446 (crowns)	1,468
Norway	475 (crowns)	2,500 (estimate for end of 1943)

b. Foreign Trade and Exchange

(1) Technique of Control

German control over foreign trade and exchange operations of occupied countries was far reaching. Direct control was exercised by the Devisenschutzkommandos 1/ operating at frontier stations and at selected places in the interior, as well as by the German occupation authorities, insofar as they negotiated trade agreements on behalf of occupied countries 2/ and issued ordinances and permits in the foreign exchange field. In addition, military courts were given jurisdiction over all cases of violation of exchange regulations. Indirect control was exercised by a section in the German economic administration which supervised and directed the native authorities in charge of exchange and trade controls. To implement this German control, existing regulations were tightened and new controls established in all countries. The principles of German control are illustrated by the decree of the German military governor in Belgium 17 June 1940. 3/ The Belgian exchange control authorities were directed to grant import and export

1/ VBl-France, issue 6, 27 August 1940.
2/ E.g., Belgian-Yugoslav clearing agreement of 13 November 1940 (Sonderanordnungen No. 22, of 18 November 1940).
3/ Sonderanordnungen No. 31, 5 December 1940.

permits in accordance with German instructions, while the German authorities (the Oberfeldkommandanturen and the Economic Department of the governor's office) reserved for themselves the right to issue in some instances authorizations directly. German authorities also issued authorizations to banking enterprise to engage in foreign exchange transactions.1/

In France, special powers were exercised by the Commercial Exchanges Subcommission of the German Armistice Commission, which dealt with trade questions, imports and exports (of other than war material), supervision of French customs, clearing and compensation agreements, and deliveries to and requisitions by the forces of occupation. The Subcommission delegated two hundred fifty traveling commissioners to supervise French customs and foreign exchange transactions; it requested and secured for Germany a considerable part of all supplies imported from French colonies. French trade with neutrals was also controlled, the Commission demanding that commercial negotiations between France and third countries be conducted in Wiesbaden where the Commission was located so that the Germans would be kept better informed. Neutral importers of French goods were requested to supply non-reexport certificates to prevent French goods from reaching Allied countries.

(2) Foreign Trade Controls

The chief objective of German trade controls was to direct toward Germany the maximum of exports attainable from the occupied countries; sales to third countries were authorized only insofar as the interest of German war effort permitted. In practice, this policy was shaped to secure

1/ Sonderanordnungen No. 26, 22 October 1940.

for the occupied country imports of foodstuffs, raw materials, or machinery. The native authorities were forced to issue export permits for goods purchased for the German account. In France, for example, the Armistice Commission exercised pressure on the Vichy government to approve contracts made between German and French firms, and involving the exchange of French bauxite and aluminum against German coal. The Germans also tried to get tungsten, rubber, pepper, etc., from Indo-China Vladivostok, before they started their Russian campaign.

Imports of goods originating in occupied countries were declared free from customs duties and turnover taxes paid on importation into Germany. 1/ Of great importance, too, for Germany was the problem of financing purchases of goods for exportation to the Reich. German importers settled their debts by paying into a clearing account, but the claims of the foreign exporters could not be settled out of the clearing because German exports were considerably lower than her imports. The occupation authorities imposed on all native governments the obligation to arrange for immediate payment of exporters' claims by the central bank. The clearing became in this manner an instrument for financing German commercial purchases in occupied countries.

(3) Gold and Foreign Exchange

The main objective of foreign exchange controls was to give Germany full benefit of all gold and foreign exchange values which were held or acquired by banks and other residents of the occupied countries. The measures put into effect in occupied countries were all-encompassing, but Allied blockade prevented the Germans from fully realizing this aim. Most of the occupied countries

1/Decree of Reich Minister of Finance, 25 November 1942 (Deutscher Reichsanzeiger, 26 November 1942).

had transferred their national gold reserves out of reach of the German Armies; whatever gold was found was taken over by the Germans, as war booty or under other titles, e.g., against deposit certificates issued by the Reichsbank (in Czechoslovakia), or as "voluntary" contributions to the war against bolshevism (in the Netherlands). The Germans tried to get possession of the Belgian and Polish gold deposited in France, and asked the French Government for information and surrender. Belgian gold was delivered to the Germans when the respective orders had been signed by authorized officials of the Belgian National Bank, but the Polish gold stored in Africa escaped confiscation. The Germans also took over the Italian and Hungarian gold stocks under the title of safeguarding them. Estimates as to the total amount of gold acquired by the Germans during the war differ widely, but it would seem that they used only part of it to pay for supplies imported from neutral countries. A considerable amount may have been stored somewhere in the Reich.

In all occupied countries, decrees were issued stipulating obligatory declaration and later surrender to the bank of issue of gold and other precious metals, foreign currency, foreign securities and funds, held by banks, jewelers and other firms, and persons. Foreign exchange accounts held with local banks were blocked and safe deposit boxes were to be opened only in presence of German officials who checked on their contents.

(4) Exchange Rates

The issue of occupation currency in Reichsmark units (Reichskreditkassenscheine) necessitated the establishment of exchange rates between this currency and the local money. The rates were set up by the Germans by unilateral

act, but, contrary to their policy in Eastern Europe, they adopted exchange rates very similar to those existing before the occupation. These rates were very favorable to the Germans because the Reichsmark was taken at its official gold parity without regard to the overvaluation thus expressed. The native currencies, on the other hand, were taken at the low international values which they had reached by devaluations after 1930; in some instances, the Germans reduced this value even further "to take care of the effects of the war on the national economy." In the case of France, for example, the exchange value of the Reichsmark was increased by 14 percent, which resulted in an undervaluation of the French currency by 50 percent. German procurement agencies, soldiers, and civilian officials were able to buy very cheaply in occupied countries. The impact of this exchange manipulation was strengthened when the new rates were taken over, with small modifications in one or the other case, as exchange rates for the trade between Germany and the occupied countries. German importers derived great advantage from the disparity in purchasing power of the Reichsmark at home and in German-dominated territories, and effectively competed for available supplies to the detriment of local buyers. The occupied countries were not allowed to restrict German purchases so that they would be balanced by imports from the Reich, but were forced to extend credits on clearing accounts. This situation was modified and in the end reversed when prices in occupied countries increased considerably under pressure of shortages, extensive German buying, and inflationary fiscal policies. Prices in the Reich were under much better control and a disparity against the Reichsmark developed in all countries, though at varying degrees.

This development did not lessen the burden on the occupied countries, because German imports were not restricted nor were German exports increased. To offset the disparity, the Germans adopted a system of subsidies for imports out of high price countries, as well as price equalization schemes, but the exchange rates were not changed. These rates were in some cases purely fictitious because the Germans adopted a system of flexible prices for their exports, or collected exchange premiums which they used to reduce the cost of their imports. The system of stable exchange rates, a cornerstone of the "New Order" in European trade relations, thus completely collapsed.

(5) International Clearing

The "multilateral clearing system" with the Deutsche Verrechnungskasse (German Clearing Bank) as a center, which the Germans established for payments between European countries, also broke down before the German military power was crushed. Upon German initiative a series of clearing agreements was concluded among the German-controlled countries as well as the Reich itself. Payments between debtors and creditors were effected through the Berlin bank and direct transfers or clearings were eliminated. The Reichsmark became an international currency, replacing gold in foreign payments, and the Germans had the opportunity to use claims of occupied countries against neutral nations (as far as they adhered to the clearing) for payment of their own imports. The inherent weakness of the German currency and the German policy of using clearing agreements as an instrument for exploitation of the other partner prevented a smooth functioning of the clearing. Germany became the debtor in almost every clearing account and her debts increased as fast as

the German authorities were able to exploit the occupied nations in terms of goods and services.

(6) Transfer of Securities

During the early period of occupation of France, local purchases of Yugoslav, Rumanian, and Bulgarian bonds were made by the Germans from occupation cost funds. The bonds were used to settle in part adverse clearing balances due to the countries concerned. As an inducement to French holders to sell, the funds received remained free even if the bonds represented blocked issues (subject to some kind of restrictions of payment). In addition to these purchases of bonds, considerable amounts of foreign shares were acquired by the Germans in Western Europe out of occupation funds or to the debit of clearing accounts. The Germans also paid for securities held in one country by delivering in exchange bonds held in another occupied country. For example, they purchased the French interests in the Rumanian oil industry and the Norwegian nitrogen industry in exchange for French securities which they acquired from Belgian and Dutch holders. There is further evidence that Germany tried to use French claims against the Rumanian state to reduce its debt to Rumania, but the latter country refused to comply for fear that such an agreement might not be recognized after the war.

The abolition of exchange restrictions between the Reich and the Netherlands enabled German debtors of loans issued before 1931 in Holland to redeem their debts before maturity; this step added to the accumulation of Reichsmark balances in Dutch hands. In all Western European countries, German investors and business firms acquired important industrial participations and reduced their debts there, although the current balance of payments was unfavorable to Germany and German clearing debts were rising.

German satellite countries in Southeastern Europe, however, were able to receive German permission to balance some of their pre-war debts due to Germany, or German-controlled countries, against their clearing claims held by the Reich. The Germans acquired from private owners in the Reich and in occupied territories securities issued by the Southeastern countries and used them as payment on account of the German debt. Such transactions involved mainly government bonds, because the Germans, as a rule, refused to sell their share in business enterprises in Southeastern Europe. German influence through stock ownership was thus largely safeguarded. Hungary and Rumania, however, succeeded in repatriating shares of several industrial enterprises held by Western European investors, against delivery of agricultural products. The respective Western countries were thus forced to reduce their foreign investments to pay for imports, while their clearing claims were increasing.

c. Credit Institutions

(1) Central Banks

Immediately after invading a country the Germans placed its bank of issue under control of a German commissioner selecting for this job either a high Reichsbank official or a German banker. The commissioner, who operated as a rule directly under the military or civilian governor, 1/ was given full powers of directing. In Norway and in Denmark German "advisors" controlled the banks of issue. The commissioner had to bring the currency and credit policies of the bank management into harmony with the principles set up by the Reich. Fixing of interest rates and other important acts were subject to authorization by the

1/ VBi-France, issue 4, 26 July 1940.

commissioner. The German authorities also secured dismissal of unreliable members of bank boards and managements and supervised the appointment of collaborationists in their place. A specific situation developed in Belgium, where the National Bank had been evacuated with its gold reserves and dies for note printing. At first, the Reichskreditkassen assumed some functions of a central bank, and on 27 June 1940 the Military Commander set up by a decree a new Bank of Issue. However, before any currency issue took place the National Bank of Belgium returned to Brussels. It undertook to issue notes and grant credits to government bodies, whereas the bank of issue was limited to foreign exchange and clearing operations. The management personnel of both banks was largely identical; they operated under control of the same German commissioner. In the Netherlands, the German Delegate to the National Bank assumed the right to appoint the president of the institution. By transferring this function into the hands of Rost van Tonningen, the notorious Dutch Nazi, who was also Secretary General of the Ministry of Finance and the Ministry of Special Economic Problems, the Germans achieved the desired co-ordination of economic and financial policies in the service of Germany. The National Bank was made a public institution and the board of governors elected by the stockholders was replaced by an advisory committee selected by the president.

Under German control the central banks changed their statutes and adjusted their policies to the needs of the German war effort, The restrictions on the note issue and the granting of credit facilities to the state were lifted, and the banks financed the payments of occupation costs or the direct German military expenses in the country, as well as exports to Germany. At the same time, they reduced

interest rates in order to foster production for the German account.

The German-inspired policies caused in all countries a considerable expansion of the money circulation, which seriously threatened and in most instances permanently undermined the stability of the price level. This development was undesired by both the German and the native authorities. To counteract the inflationary effects of the German exploitation, various measures were tried. In the Netherlands, the use of clearing balances for capital investment in German-occupied territories in Eastern Europe was advocated, and banknotes of five hundred and one thousand guilders were withdrawn from circulation to put a brake on the hoarding of currency. In Belgium, exporters received only a part of their claims in cash, the balance being paid in special notes due after some time; by order of the military governor, local payments of the occupation authorities were also made partly in cash and partly in government bonds. The Danish Government issued treasury notes and deposited the proceeds in a blocked account with the National Bank, thus offsetting, to some extent, the increase of circulation which resulted from the Bank's financing of German military expenditures in Denmark.

All these, and similar, measures did not prevent an inflationary expansion of money in all German-occupied countries. When the Germans withdrew, the notes issued by the central banks were covered to 75 percent and more by claims against their governments and the German Clearing Office, or in the case of the Dutch Central Bank directly by German Government bonds.

(2) Private Banking

German control over private banking had several objectives. It aimed first of all at facilitating the economic exploitation of the country, especially in the form of work on German industrial contracts; it secured full compliance with foreign exchange regulations, which gave the benefit of all gold and foreign assets held or acquired by the residents of the country; it assisted German business in acquiring participations in local enterprises. In the case of the Netherlands, the banks were induced to invest liquid funds in German Government paper, thus contributing directly to the German war financing and reducing the pressure on the Dutch-German balance of payments.

In some countries, especially in Belgium and France, the German authorities set up their own banking control agencies, while in others they were satisfied with indirect controls exercised through the native administration. In the latter case the powers of native supervisory agencies were greatly enlarged and Nazi collaborationists were appointed as their chiefs or German officials were attached to control the operations of the native officials.

A duality of control developed in Belgium, where the autonomous Commission Bancaire was kept in existence while a German Office for Banking Control was established by a decree of the military governor dated 14 June 1940. The German commissioner to the Belgian National Bank was also made head of this office. Its jurisdiction covered all financial institutions, commercial, mortgage, and investment banks, as well as the very important industrial holding companies. Its powers were extremely broad and banks were prohibited from concluding important business without its approval. A similar system was at first instituted in

France and as head of the German-created Office for Supervision of French banks.1/ In the summer of 1941, however, this office was abolished and its functions taken over by the Vichy-created Comité Professionel d'Organisation des Banques, to which the Germans attached a commissioner. The Comité was given large powers over French banking. In the Netherlands, the Germans transferred control over private banking to the president of the National Bank after appointing a reliable Dutch Nazi to this position. In Norway, a new bank association was formed as part of the corporative organization of Norwegian business; it was entrusted with the functions of a link between the government and the banks.

Backed by the might of the German forces occupying the Western European countries, German banking aimed at permanent penetration of these countries and of their colonies in the field of banking and industry. German private banks against small payments secured for themselves key positions in the banking of occupied and allied countries. Their methodswere to acquire majority or minority share interests by fair means or foul, to establish branches or agencies, to form new institutions in collaboration with local banks, and to conclude "friendly" agreements. In the incorporated territories the existing banks were simply taken over. German-controlled banks expanded their participations in the local trade and industry by applying the same methods. German private capital also acquired interests in the Belgian Congo, North Africa, Indo-China, and the Dutch East Indies and in international electric, shipping, and oil concerns, by purchasing shares quoted on Dutch, Belgian, and French stock exchanges. The German

1/ VBI-France, issue 4, 26 July 1940.

Government received large sums in payment for these participations,whereas the actual purchase price in national currency was paid out of advances on clearing accounts or out of contributions received from the local government. Often the respective shares were simply confiscated, especially if they were owned by Jews or persons considered "inimical" to Germany.

Political or financial pressure was the basis of most other transactions. The German Armistice Commission, for example, requested that the French Government surrender French interests in Rumanian oil and Norwegian nitrogen industries and offered in exchange French securities which the Germans had acquired from Belgian and Dutch hands. German banks also took over the Balkan and other European participations of French and Belgian banks. On the other hand, Dutch banks were forced to finance enterprises in German-occupied Eastern Europe, French banks were induced to organize a Financial Association to finance Franco-German industrial projects, and so on.

German penetration appears to have been strongest in the field of Dutch banking. Old-established interests of German banks were expanded after the occupation and new affiliates were set up. As a consequence of these steps, all the big Berlin banks, including the Bank der Deutschen Arbeit, and several private bankers and industrial combines were represented in the Netherlands. The German-owned banks were, nevertheless, much smaller than any of the large Dutch banks. In Belgium and France, no German banks were operating before the war. Three new institutions and one branch office were set up in Brussels by German groups. These banks were to specialize in German-Belgian trade, but evidently did not compete with the two leading Belgian banks,whose position was strengthened by the

closing of several important native institutions. In Paris, the German Bank der Deutschen Luftfahrt established an affiliate, the Aero-Bank, to finance aircraft production and heavy industry. The capital was supplied by the Reich out of occupation cost funds. The Aero-Bank also acted as fiscal agent of the military governor in matters of enemy property administration, which was the main source of its deposits, and was probably the chief tool for German penetration into French industry. The other German banks operating in France carried on only limited activities.

Control over Luxembourg's commercial banks, formerly in Belgian hands, was taken over by Berlin institutions and several German banks set up branches in the Duchy. Most of the branches and agencies of the Luxembourg banks, as well as all minor establishments and the branches of foreign banks, were closed, but the State Savings Bank of Luxembourg was linked up with the German savings banks system and expanded its activities considerably.

(3) Private Insurance

Under the German aegis, official control over private insurance business was strengthened in the occupied countries. The respective native authorities, either government agencies or corporative associations of insurance companies, were supervised by the German authorities, which appointed German insurance experts to this job. (In Belgium, for example, the German official was assisted by a native collaborationist.) The Germans investigated the business volume of all companies, requested regular reports on their financial situation, and appointed special German supervisors for some companies. Insurance contracts of persons domiciled in annexed territories had to be passed on to specified German companies.

German enterprises also penetrated into the business of the non-annexed parts of France, into Belgium and the Netherlands. 1/ Jointly with Italian institutions, the German institutions took over by virtue of government orders the business of British and other Allied companies which before the occupation had operated in Italy and according to some reports even took over part of the business of native companies. German re-insurance companies actively solicited business and with the help of insurers and re-insurers in neutral, occupied, and allied countries set up the Union for Covering of Major Risks (Vereinigung zur Deckung von Grossrisiken). This organization constituted a pool which provided cover for risks which could not be placed on the normal market. Its chief objective was to replace the British Lloyd.

Penetration of occupied countries by individual German companies was not allowed to take place haphazardly. In February 1941, all German foreign insurance was placed under the control of the head of the Reichsgruppe Insurance (corporative organization of German insurance), which advised companies how to develop their business according to the economic and financial interests of the Reich. Western Europe was regarded mainly as a sphere of interest for the companies in the Old Reich territory; Austrian companies took the leading role in Southeastern countries, especially through the acquisition of French interests.

As part of the "New Order," European insurance law was to be reorganized and simplified according to German plans; a special section was established within the Internationale Rechtskammer (International Chamber of Law) for this purpose. The plans resulted in some reorganization of domestic business in countries where German influence

1/ Sonderanordnungen of Military Governor in Belgium and Northern France No. 29, issued 14 November 1940.

was strong, but international schemes were hindered by financial instability in many of these countries.

d. Public Finances

German occupation authorities issued decrees ordering the continued collection of taxes and customs duties by the native administration.1/ They did not assume direct control of public finances in occupied countries in Western Europe, except perhaps on the highest level. Dr. Fischböck, the German Commissioner General for Finance and Economics in the Netherlands, had charge of all matters pertaining to the Dutch Department (Ministry) of Finance; in France, a section in the military governor's office handled "fiscal and customs policies"; etc. In each country, the Germans levied considerable sums as a tribute under the title of "occupation costs," or as an advance to cover the cost of the occupation army. In some countries the national government was forced to assume the responsbility toward the local bank of issue for the advances made against export claims due to Germany. To this extent German interference in fiscal policies was obvious. The Germans were interested, furthermore, in price stability and were known to favor conservative and deflationary fiscal measures, but it is impossible to trace their interference with the fiscal policies of the native governments in specific cases. Collection of taxes, issuance of government paper to cover the budget deficit, and similar measures remained functions of the native administration, which was, of course, controlled and guided by the German occupation authorities. In this respect the German policy in Western European countries differed radically from that applied in the East, both in the "appended" countries and in the territories administered as colonies.

1/ VBl-France, issue 2, 10 July 1940.

In close analogy with domestic German policies, native administrations in Western Europe applied fiscal policies aiming at reducing the inflationary effects of the payment of war contributions with the help of central bank credit. The measures put into effect included specifically increased taxation and the issuance of government bonds. In several countries such issues were made solely to tie down surplus purchasing power, inasmuch as the proceeds were applied to redeem central bank advances to the state or for deposit on a blocked account with the bank of issue, thus partly offsetting the currency expansion. The centralization of tax collection in the hands of the French state and replacement of local tax revenue by government subsidies resembled German fiscal policies and was probably initiated by the occupation authorities. The French state also assumed responsibility for financial measures connected with the direction of economic life, employment programs, and similar governmental policies. Additional measures based on German experience were aimed at the control of stock market operations, the establishment of maximum prices for shares, and the institution of special taxes on speculative profits, the objective of which was to reduce speculation in stock values and direct savings into banks and government bonds.

The amount of the occupation costs to be paid by an occupied country was fixed in an agreement between the German authorities and the native government. In France, for instance, negotiations took place every three months between the German Armistice Commission and the French Delegation. The native government was of course forced to accept the German Diktat. The French, repeatedly, but without success, protested at the payment for forces engaged in the war against Britain, which did not form

part of the normal German forces of occupation.

The funds collected under the title of occupation costs were used chiefly for the maintenance of soldiers, for payment of requisitioned purchases, and for the execution of public works for the German Army. According to some reports the Germans also used such funds -- by all evidence only to a small degree -- to purchase goods for importation into the Reich and to purchase securities, especially foreign bonds, which they resold to reduce their clearing debts to the Southeastern countries.

e. Financial Controls as a Means of Economic Exploitation

In the preceding chapters we have described the monetary and financial policies and controls applied by the Germans in Western Europe. To a certain extent similar methods of financial exploitation were employed in all other occupied and controlled countries, as shown in part C of this study. The present chapter contains some estimates as to the total amount of contributions in terms of money which the Germans exacted from controlled nations.

Funds for payment of products and services in occupied countries, other than those confiscated without compensation, were secured by the Germans by several methods:

(1) Occupation currency was issued in the form of Reichskreditkassen notes; in Western Europe these notes were retired sooner or later by the local banks of issue, which acquired corresponding claims against the native government or the Germans.

(2) Credits were taken by the Reichskreditkassen from local banks of issue in native currency as advances or deposits;

(3) Unpaid claims against Germany on international clearing accounts were accumulated;

(4) German government paper was sold to banks in occupied countries;

(5) Funds were collected from native governments to cover occupation costs;

(6) Matricular and defense contributions were collected in territories appended to the Reich;

(7) Local banks of issue made advances to the German military to cover occupation costs;

(8) Foreign currency was retired from circulation in territories annexed by Germany;

(9) Special taxes, contributions, and penalties under various titles were levied. 1/

From a formal point of view, some of the above items constituted commercial claims (especially those listed under 3 and 4); in fact, however, these funds were made available to Germany under pressure and must be considered as forced loans forming part of the financial exploitation. Official German speakers repeatedly stated that Germany had the right to demand from the other nations financial help in the form of credits in clearing accounts, and even discussed the possibility of repudiating part of these claims. They asserted that a great part of the German debt was incurred when Germany made non-commercial payments (in other words military expenditures) in the interest of the common European struggle.

The total of funds which the Germans exacted from occupied countries up to 31 March 1945, was estimated at 120 billion Reichsmarks or roughly 25 percent of the total German war expenditure to that date. This figure indicates how important was the contribution of occupied countries to the German war effort; moreover, it does not include

1/ An example was the penalty imposed on Jews in France (Verordnungsblatt of Military Governor in France No.49, issued 20 December 1941).

the value of goods confiscated as war booty or looted without any pretense of justification, nor does it include the value of labor and services rendered at less than usual wage rates, etc. The larger part of the contribution of the Eastern territories is also not included because of the specific methods of exploitation the Germans used there.

Of the total of 120 billion Reichsmarks which Germany received from occupied and satellite countries, about 60 percent took the form of direct contributions under various titles (for occupation costs, defense, "voluntary" contribution to the war against Russia, matricular fees); 40 percent the form of clearing and other claims which the Reich or German institutions promised to repay. The highest yearly total was reached in 1943, with over 30 billion Reichsmarks, equivalent to 30 percent of the German war costs in the same year. The largest contributor was France, with nearly 14 billion Reichsmarks (10.6 billion Reichsmarks for occupation cost and 3.2 billion Reichsmarks for clearing advances); next was the Netherlands, with a total of 4 billion Reichsmarks, Belgium with 3.5 billion Reichsmarks, followed by Denmark and Norway with 1 billion Reichsmarks each. The Western European countries together accounted for nearly 80 percent of the total, with the Protectorate (3 billion Reichsmarks) furnishing most of the balance.

In the first half of 1944 the yearly rate of financial contributions increased further when Italy and Hungary were forced to contribute considerable sums to the German war effort. Some sources estimated German revenues from foreign countries at 42 billion Reichsmarks yearly, as of the summer of 1944, the total for the year being of course lower due to the liberation of France and Belgium. The

Italian contribution was reported to be 8 billion Reichsmarks yearly, and later its rate was increased to 10 billion lire per month, corresponding to 12 billion Reichsmarks per year, at the official rate of exchange. Due to the price inflation in Italy, Germany did not receive goods for this amount out of the Italian payments.

Estimates for the total of funds exacted by the Germans in occupied countries contain none or only small figures for the contributions of Poland and the occupied parts of the USSR. In these countries German exploitation largely took the form of loot, the value of which cannot be assessed. Estimates or authentic reports of the amounts collected as contribution and in form of taxes levied there by the German authorities, if available, would make the extent of exploitation appear lower than it actually was. The various credit and "commercial" operations used by the Germans as a means for exploitation of occupied and satellite countries resulted in an accumulation of German debts estimated at 48 billion Reichsmarks in March 1945. The total as of 31 December 1943 amounted to 36 billion Reichsmarks, as the following list shows:

	Reichsmarks (in billions)
Claims against the German Clearing Bank	16.3
Claims against the Reichskreditkassen	
for advances	6.4
for notes in circulation	2.9
Claims against the Reich for government paper	8.8
Claims against German banks for deposits	0.9

9. Administration of Enemy Property

a. Legal Basis

Among the first decrees issued by the Supreme Commander of the German Army after invasion of the

Western countries was a decree on enemy property (Feindvermögenverordnung). 1/ This decree prohibited, until further regulation, the disposal of property owned by nationals and residents of the states at war with Germany, and authorized the military commander in the respective territory to issue further regulations. The Reich Commissioner for Administration of Enemy Property was the central authority in these matters, directing the activities of the regional authorities. He was subordinated to the Reich Minister of Justice, but in problems of economic character other Reich agencies e.g., the Four Year Plan Office, issued directives. In France control over enemy property was taken over by the Military Commander and exercised through the Economic Department of the military administration.

The objectives of administration of enemy property were threefold: first, to ascertain what was enemy property. This was done through a census ordered by decree; second, to secure control over such property. This was done by appointment of administrators (Verwalter); third, in exceptional cases, to liquidate such property by sale or collection. Enemy property was considered as mortgaged in favor of the Reich pending decision as to its disposal after the war.

Claims due to enemy nationals and residents were collected by the Treuhand- und Revisionsstelle, an organization with branches in Paris and other capitals of occupied countries, which acted as a trustee for enemy property. The Treuhandstelle also acted as recipient for profits accruing to enemy accounts and for the sales proceeds of enemy property, if liquidation was ordered. The

1/Decree of 23 May 1940, Verordnungsblatt of Military Governor in France. issue I.

Treuhandstelle in Paris at first deposited enemy funds in blocked accounts or in form of government bonds with Barclay's Bank in Paris; these deposits were later transferred to the German-owned Aero-Bank, which needed money to conduct its business. The enemy claims continued to be owed by the Treuhandstelle. Deposits with French banks due to enemies were frozen and in 1944 transferred to the account of the Treuhandstelle with the Aero-Bank. The Devisenschutzkommando also ordered the opening of safe deposit boxes owned by enemies. Foreign currency and gold found in safe custody with French banks was sold at official rates to the Reichskreditkasse in Paris and the proceeds were credited to the owner in a blocked account at his former bank. Securities found in safe deposit boxes were blocked but not liquidated because, it is reported, the Germans feared complications in case the owners made claims for compensation.

Appointment of administrators for enemy property was exclusively in the jurisdiction of the Military Commander, who, however, delegated his powers in regard to real property to the Feldkommandanten. The regulations for administration of enemy property were published in a technical manual, Dienstanweisung für die Verwalter von Feindvermögen, issued by the Military Commander in France.

b. The Administrator

The administrator was not considered as an official or civil servant, but rather as a person exercising a free profession, under orders of the Military Commander, whom he had to assist in the prosecution of war tasks. He was paid on a per diem basis and was reimbursed for expenses by the Trustee and Control Office (Treuhand- und Revisionsstelle). Payment of per diem expenses could be suspended if the administrator had any business interest in the property in

question. The administrator had to ask the military office for authorization before taking advances, commissions, or other benefits from the administered enterprise.

The administrator's first task was to ascertain what constituted a particular property. The basic principle for his subsequent operations was to administer the property for the benefit of the Reich, acting as trustee in accordance with regular business methods. The interests of the enemy owners had to be fully protected, unless this action was contrary to the benefit of the Reich. The administrator thus acted as a trustee of the Reich and the delegate of the military governor, who remained responsible for the administration of the property.

There were two types of administrators, determined by the kind of property subject to administration. A Beteiligungsverwalter administered only the interests of an enemy as represented by stocks, shares, participations, etc. Such an administrator had the powers of a stockholder or partner, but the appointing authority often granted him additional rights in the enterprise. At all events, it was his role to supervise the enterprise in the interests of the Reich. The second type of administrator was the Gesamtverwalter, who was in charge of an enterprise in which an enemy's interest was considerable; for example, ownership of 40 percent of the stock of a corporation.

The administrator of an enemy enterprise had unlimited powers in his work, whereas the powers of managers and other functionaries were suspended. He worked in accordance with general and special orders of the military governor, whom he kept currently informed about the status of the enterprise. He had to request consent of the military governor before acting in such important

matters as the appointment of managerial personnel, the adoption of measures in the field of wages and prices, the contracting of loans, the confirmation of decisions of shareholders, etc. Permission of the authority was necessary also for transactions between the administrator and the enterprise.

The administrator was authorized to appoint or reappoint native managers to work under his control. The manual suggested that he have these managers submit proposals regarding the business operations so that the administrator could refrain from initiating such acts and thereby make the native managers responsible to the shareholders. His dealings with the managers had to be in writing and confirmed by their signatures. He was advised to comply, as far as possible, with the native legal regulations concerning the management of the enterprise; it was especially incumbent upon him to convoke regularly the board of directors and general meetings of the stockholders. The decisions of these bodies, however, were valid only when confirmed by the administrator, but the responsibility was shifted to the native bodies. This procedure was considered of special advantage in regard to French enterprises, which often owned property in the (then) non-occupied part of the country where the German decree on enemy property was not considered valid.

Enemy enterprises were operated on the principle that all enterprises in occupied countries should produce the maximum for the German war effort with the least cost of labor and materials. Wages were not to be increased, and prices were to be kept stable. If an enterprise made large profits while working for German account, its cost calculations had to be submitted to price controllers. Profits accruing to the enemy account were deposited for

the Treuhandstelle in blocked accounts with the Aero-Bank in Paris. If an enterprise was liquidated because of lack of goods, funds, or for other reasons, the proceeds of the sale were deposited in this bank. Every enemy enterprise had to pay a monthly fee for administration to the Treuhandstelle, which in turn paid the expenses of the administrators.

Property of Jews with enemy status was not subject to special treatment, but no objections were made if the native government decided to liquidate such property. The proceeds were then deposited in a blocked account. The administrators were also ordered to support the administrators appointed by the French General Commissioner for Jewish Questions, especially since their activities were often hampered by resistance of the French population.

Control of foreign banks operating in France was placed in the hands of a Reichsbank manager appointed by the military governor as Verwalter der Feindbanken (administrator of enemy banks). These foreign banks continued to operate but required a license for payments as well transfers of securities. Inasmuch as it was expected that the banks would become Reich property, the administrator did not issue such permits liberally. By order of the Reichsbank the administrator requested the banks to deposit their liquid assets with the German-owned Aero-Bank in Paris.

c. Penetration of German Business

Shortly after the Franco-German armistice had been signed, many German business firms showed a desire to acquire participations in French enterprises controlled by enemy interests. Such tendencies were favored by the military governor only if the Minister of Economics gave them his support. According to international law, however, enemy-held participations could not be acquired, but it

proved advantageous to entrust German firms with supervision of the production in some enterprises. This practice did not give them any capital participations but it was declared that at some later date -- say after the war -- transfer of enemy participations into German hands might be ordered.1/

10. Controls over the Italian Economy

a. Principles of Control

When confronted with defection in the ranks of their allies, the Germans took over control in military and economic matters in the respective country as far as military developments permitted. The outward form of German relationship continued to be an alliance, which obliged the native quisling regime to supply industrial and agricultural products for the common war effort to the utmost of the capabilities of the country. Among the countries so treated by the Germans, Italy was the most prominent from September 1943 onward.

German controls over the Italian economy were in method and extent similar to those employed in the conquered countries of Western Europe, and are classified as of the indirect type because they were based on the continued functioning of the native administration. The Reich was represented in its relation with the neo-Fascist government by its Plenipotentiary for Italy, Ambassador Rahn, but several German agencies operated outside this diplomatic channel.

In order to assure the systematic exploitation of the Italian economic resources for the German war machine, Hitler, as Supreme Commander of the German Armed Forces, ordered Albert Speer, the Reich Minister for War Production and Armaments, to secure all important installations in Northern Italy useful to the war economy and

1/ See above E 6, c 3.

to utilize them for the common war effort. He authorized Speer to take all measures for maintaining the security of war production in Italy, in particular to transfer machine tools and other essential equipment from territory threatened from the air to other factories in or outside of Italy, including factories in the Reich. Hitler also ordered the German Army to supply the necessary transport facilities for evacuation of important machine tools.

b. Exploitation of Industry

In accordance with this order, Speer appointed General Leyers as General Commissioner of the Reich Ministry for Armament and War Production for Italy. This official headed the Armament Inspectorate in Milan and delegated German officials and technicians to important industrial plants to integrate production with the German program. Factories working for the Germans were protected against the labor draft and confiscation of their stocks; they also received supplies of raw materials, fuel, etc., and were reported to be exempted from the "socialization" measures of the neo-Fascist state.

General Leyers co-operated with the Italian Minister of Corporative Economy and the heads of the various committees and offices established by Italian industries to take part in government control over business. Sometime in 1944, the neo-Fascist authorities and the German Ambassador agreed on the general principles regulating the transfer of industrial materials to Germany. To implement this plan a decree was issued on 4 June 1944 and specific agreements covering individual industries countersigned by the chiefs of the Italian industrial control offices were later signed. On 26 October 1944, for example, an agreement covering the chemical and rubber

industries was completed. This document stated that Italy and Germany had agreed that Italian firms should transfer to safer places raw materials and semifinished and finished products essential to the conduct of the war to prevent their being exposed to enemy attacks. The transfer was to be effected upon order and with the help of German authorities, but the Italian industrial committee was supposed to be asked for authorization in each case. The goods were either transferred inside Italy, sent abroad for storage, or sold to German firms. If a firm stored goods, it was authorized to use them in its own plant against payment of the prevailing price. Italian firms selling their stocks to the Germans were promised supply of other materials after the war. Raw materials necessary for continued production in the Italian plants were freed from transfer obligation in quantities specified in regulations issued by the Ministry of Corporative Economy and the German Commissioner of the Ministry for War Production and Armaments. Payment for goods transferred to Germany was made through the clearing transaction. The agreement was declared to be retroactive to cover transfers of goods taken over previously by the Germans.

There is ample evidence that the German authorities, even after signing this agreement, did not refrain from high-handed "transfer decision." The Italian Committee for Chemical and Rubber Industries issued a memorandum in which its member firms were advised of the contents of the agreement and were asked to decline any requests for transfer of goods made directly by German authorities, including military authorities. They were advised to produce in any such case a copy of the agreement in the German language and to notify the Committee so that it

could intervene at once. 1/ If the German authorities wanted to speed up the transfer of goods, they were to address their request to the Committee through the proper branch of the Ministry for War Production and Armaments.

In October 1944 the heads of three industrial committees established by the neo-Fascist government asked the German Minister and the Armament Commissioner to prevent the complete demolition of Italian industrial plants in case of a German retreat. The Germans at first promised to give these requests full consideration but later reversed their attitude and declared that all measures of destruction would be dictated by military considerations only. Upon this declaration the Italian industrialists resigned from their positions. In a letter addressed to the German Ambassador they accused the German military authorities of deciding arbitrarily upon destruction of plants and removing materials and equipment which were indispensable to the Italian economy but not necessary to the war.

c. Financial Exploitation

For a short period the German Army used Reichskredit-kassen notes to pay for its local purchases, but these notes were later retired and all expenses paid in Italian currency. As in most other countries, the Germans paid good prices in Italian paper money for all confiscated goods. The neo-Fascist government paid a war contribution to the Reich amounting to 6 billion lire per month, rising later to 10 and 12 billion lire (equivalent to between 7.2 and 14.4 billion Reichsmarks yearly). The Italian currency was depreciated by the Germans in September

1/A similar procedure was suggested to Danish farmers threatened by confiscation of their products by German authorities; see E 5.

1943 by an increase of the lire value of 1 Reichsmark from 7.6 to 10 lire. A new clearing agreement was concluded between Germany and Italy, and Italian claims against the Berlin Clearing Bank increased at a rate corresponding to the volume of Italian exports to Germany and the amount of earnings of Italian workers in Germany transmitted to Italy. Only a small part of the war contribution was covered by taxation; the greater part of it, and most of the clearing claims, were financed by printing Italian currency. As a result of this action inflation progressed rapidly and made price controls ineffective. The Germans, therefore, refrained after a short time from combating the black market and charged the Fascist police with this task.

11. Controls over Unoccupied French Territories

Even before occupation of Southern France at the end of 1942, Germany exercised a considerable amount of economic control in unoccupied France, in French North Africa, and in the French colonies not held by General Charles de Gaulle. The main instrument for this control was the Franco-German Armistice Commission, which had both the functions of direct supervision in unoccupied territory and the task of presenting German claims to the Vichy government. The German Armistice Commission established a special Economic Delegation (transferred in 1941 to Paris), the main function of which was to implement German economic demands in the unoccupied territory. It supervised the collection of the occupation indemnity and the economic exploitation of the South Zone and North Africa for the German account.

The three Control Inspectorates established by the Armistice Commission for the North Zone, the South Zone, and North Africa were subdivided into smaller units in the

more important towns; they handled both military and economic controls. There was a number of specific delegations like the Mineral Oil Control Commission in Marseille, the German Purchasing Commission for North Africa (co-operating with the Control Inspectorate at Casablanca, and especially its branch the Armaments and Mineral Oil Commission), and the Permanent German Delegate for Indo-China. German Control Inspection Boards, one each in occupied France and non-occupied France, were appointed to execute the Franco-German agreement on the construction of aircraft, with special commissioners supervising the work in French factories. Subcommissions exercised control over railways, roads, ocean shipping, and airfields; a German Commissioner for Maritime Traffic and numerous German transport experts were appointed for specific tasks. French liaison officers were attached to most German commissions and delegations.

From the German point of view the Armistice Convention contained a considerable number of loopholes, especially because it did not assure them direct control over French industry. The Germans, therefore, did not literally follow its provisions but rather used it as instrument of exploitation, supplementing it by threats and high-handed orders (Diktats). The German demands on Vichy consisted chiefly in requests for supplies of raw materials and goods manufactured out of existing stocks (e.g., motor vehicles) or to be produced in France, as well as labor to be conscripted for work in the Reich. When the Germans wished French factories to be employed on German war work they dealt with the French Government, mostly through the Armistice Commission. The French usually requested certain facilities as quid pro quo, such as the right to retain a proportion of products (e.g., explosives for industrial use), food deliveries from Germany, suppression of French

food deliveries to occupation troops or of exports to France, release of factory workers who were prisoners of war, etc. The Germans adopted a system of bartering goods, in the working of which collaborationists played a large part and were depended upon, by this means the Germans furthered their own ends and secured the aid of the collaborators.

Various programs of manufacture of armaments, chemicals, and tools for German account were worked out, involving also plants in the unoccupied zone. For aircraft construction a specific program was drawn up in 1941 by the representative of the German Luftzeugmeister and the French Chief Engineer of Aviation. In many cases the Germans presented to the French government contracts with French industrialists as faits accomplis.

The German Armistice Commission's control over transports comprised specifically the movement of French merchant shipping, the transport of war material, and the supervision of goods in general to prevent export of raw materials, foreign exchange, etc. The larger French ocean vessels were seized, and permits required for all other vessels before sailing. The Germans controlled cargoes of incoming vessels. This supervision of ocean transport gave the Germans the opportunity to control exchange of goods between unoccupied France and North Africa. They used this chance as a pressure instrument to bring these territories under their economic domination.

The German delegations in North Africa organized the exploitation of the mineral wealth of Morocco, dispatched raw materials, machinery, and war material from there to Germany, etc. They established a special commission for purchasing motor vehicles. The German delegations had no executive powers in North Africa; they requested the French liaison officers to secure compliance with armistice terms if violations were discovered and referred the matter to Wiesbaden if no correction was made.

Appendix I. ORGANIZATION OF THE DEPARTMENT FOR ECONOMICS (ABTEILUNG WIRTSCHAFT) OF THE MILITARY COMMANDER IN FRANCE (PARIS)

The following table shows the organization of this department, which operated as a branch of the Administrative Staff headed by Staatsminister und Kriegsverwaltungschef Schmid:

Group I. General Routine
- Section 1. Legal matters
- Section 2. Aryanization
- Section 3. Enemy property
- Section 4. Press
- Section 5. Statistics
- Interpreters, passport office, registry, printing office

Group II. Industrial economy: General Section
- Main Section Pl-Raw material planning
- Main Section Ro-Organization of raw material distribution
- Main Sections in charge of planning and control of production and distribution of specific industries:
- Main Section A-Mines and quarries
  - Section Al-Coal and peat
  - Section A2-Ores and salt
  - Section A3-Stones and clay
  - Section A4-Potash
  - Section A5-Pit props
- Main Section B-Mineral oil industry
- Main Section C-Utilities (power economy)
  - Section Cl-Electricity
  - Section C2-Gas
  - Section C3-Water supply
- Main Section D-Iron and steel production and foundries
  - Section Dl-Iron and steel production
  - Section D2-Foundries
- Main Section E-Non-ferrous metals
  - Section El-Control of consumption
  - Section E2-Production, purchasing, and transportation
  - Section E3-Smelters and foundries
- Main Section F-Iron and metal working industries
  - Section Fl-Machine construction
  - Section F2-Locomotive shops and other metal working industries
  - Section F3-Shipbuilding
  - Section F4-Precision tools, optical industry, and electrical equipment
- Main Section G-Chemical and allied industries
  - Section Gl-Chemical industry
  - Section G2-Rubber, asbestos, carbon black
  - Section G3-Industrial fats
  - Section G4-Glass and ceramic industries
- Main Section H-Building industry, materials and equipment
- Main Section J-Textile and paper industries
  - Section Jl-Textiles
  - Section J2-Paper and cellulose
- Main Section K-Other industries
  - Section Kl-Leather
  - Section K2-Furs

Section K3-Miscellaneous goods
Section K4-Tobacco
Section K5-Reclaimed materials

Main Section L-Organization, trade, crafts, tourist trade
Section L1-Organization of business
Section L2-Trade
Section L3-Crafts
Section L4-Tourist trade

Group III. Food and agriculture
Section 1-Production
Section 2-Distribution
Section 3-Land cultivation

Group IV. Forestry, Timber, Hunting, and Fishing
Section 1-General
Section 2-Forestry
Section 3-Timber industry
Section 4-Hunting and river fishing

Group V. Foreign Trade and Exchange
Section 1-Foreign trade
Section 2-Transfer of capital funds

Group VI. Freight Transportation
Section 1-Organization and basic questions, ocean transports
Section 2-Planning of transportation on railways and waterways, co-ordination with other occupied western countries and the Reich, monthly transportation programs, transit freight, statistics
Section 3-Transportation of industrial products
Section 4-Transportation of food, timber, fertilizers
Section 5-Control of French measures pertaining to transportation

Group VII. Labor and social problems
Section 1-Employment in France, procurement of workers employment of prisioners of war
Section 2-Labor code, work conditions, personal matters
Section 3-Social insurance
Section 4-Hiring of labor for Reich
Section 5-Propaganda, transportation of labor, statistics

Group VIII. Currency, credit, insurance
Section 1-Currency and credit
Section 2-Stock markets, statistics
Section 3-Insurance

Group IX. Fiscal and customs policies

Group X. Price control
Section 1-Coal, ores, metals, machinery, utilities
Section 2-Chemicals, stones, construction materials, textiles, glass, pottery, wines, spirits
Section 3-Agricultural goods, foods, catering, timber, wood products, paper, printed material, leather, vehicles, electro-material
Section 4-Organization of price control, industrial administration, co-operation with other occupied countries

Appendix II. CATALOGUE OF GERMAN AGENCIES IN FRANCE

The following list of German agencies interested in economic matters concerning occupied French territory is based on the mailing list for the "Special Economic Regulations" published by the Economic Department of the Administrative Staff of the Military Commander in France. It indicates the great number of German agencies which in one way or another participated in planning and executing policies of economic control and exploitation in occupied territories.

(a) Military and attached agencies:

Command staff and administration staff of the Military Commander in France

Chief Quartermaster West

Chiefs of Military Administration Districts and subordinated Kommandanturen

Supreme Command of Army and of Armed Forces (OKH and OKW)

Supreme Commands of Army Group and of Armies stationed in West

General of Air Force, Paris

Generalluftzeugmeister

Luftgaukommando (territorial aviation commands)

Commanding Admiral in France

WVD (Army Corps Area Administration[1]), Paris, Brussels, Stuttgart, Berlin, Kassel

Military Commander in Belgium and Northern France, Chief of Administration Staff

Construction Management (Beauvais)

Army Field Postmaster

Foreign Exchange Control Command

Military Transport Division (Paris) of Chief of Transportation

Command Post of Frontier Customs Control in France

1/ The meaning of this abbreviation is not clear.

(b) Civilian agencies in Reich:

Reich Marshal of Greater German Reich -- Delegate for the Four Year Plan (Berlin)

Reich Ministry of Interior

Reich Ministry of Economics

Reich Ministry of Food and Agriculture

Reich Forestry Office

Reich Ministry of Finance

Reich Ministry of Transportation

Reich Ministry of Labor

Reich Ministry of Justice

Foreign Office

Reich Commissioner for Price Control

Reichsbank

Superior Auditing Agency of the German Reich

Reich Food Estate and Reich Peasant Leader

Reich Commissioner for Administration of Enemy Property

Chiefs of Civil Administration in Lorraine and in Alsace

(c) Civilian agencies in France:

Representative for France and Luxemburg of Reich Minister for Armaments and War Production

Delegate of General Commissioner for Motor Transportation

War Economy and Armament Staff (labor Armament and Procurement Staff) and Armament Inspectorates and Commands

Inspector for Control of Raw Materials in Belgium and France

Technische Nothilfe, Operation Unit (France)

Abwehrleitstelle Paris (Counterespionage)

Staff of Organisation Todt (Paris)

German Armistice Commission (Paris)

Liaison Office France of the Organization of German Economy

Propaganda Unit

Commissioner with the Bank of France

Central Order Office (Paris)

Reichskreditkasse (Paris)

German Legation (Paris)
Territorial Organization of NSDAP